

AGENDA

Counties Transit Improvement Board Meeting

Wednesday, April 15, 2009

8:30 a.m.

Ramsey County Plato Blvd Building

90 West Plato Boulevard

St. Paul, MN

	<u>Action Requested</u>
1. Minutes of the March 18, 2009 Meeting (To be provided at the meeting)	Approval
2. Checks and Claims *	Approval
3. Revised 2009 Budget *	Approval
4. Quarterly Report on Tax Receipts	Information
5. CTIB Transit Investment Framework	Discussion
a. Attachment B: Annual Financial Review and Capacity Estimate *	
b. GEARS Committee and Other Comments on Framework *	
c. Next Steps	
6. Federal Authorization and Appropriations Requests *	Approval
7. 2009 Legislative Issues	
a. Federal	Discussion
i. April 23 Congressional Visit	
ii. Lockridge Grindal Report	
iii. Other	
b. State	Discussion
i. Update on CTIB Initiatives	
ii. Other	
8. Communications Update	Discussion
a. Apple Valley Transit Station Groundbreaking	
b. Other activities	
9. Other	Discussion
a. Next CTIB Meeting: May 20, 2009	
b. June Meeting/APTA Rail Conference in Chicago, IL	
c. Urban Land Institute Study	

*Documentation enclosed

MEMORANDUM

Agenda Item #3

April 10, 2009

TO: Counties Transit Improvement Board

FROM: Sr. Staff Coordinating Team

SUBJECT: Revised 2009 Budget

BACKGROUND

The Legislation authorizing the sales tax limited the amount of the proceeds that can be used for administrative costs for the joint powers board to $\frac{3}{4}$'s of 1%. At its meeting in July 2008, the Counties Transit Improvement Board adopted the 2009 Budget and assumed that annual sales tax proceeds would be \$95,000,000. Based on the history of the sales tax collections to date, the Financial Work Group recommends that the Counties Transit Improvement Board use an estimate of annual sales tax proceeds of \$85,000,000. The administrative budget should therefore be amended to reflect a reduction in proceeds available for administrative costs.

Hennepin County financial staff are refining the estimate of carryover funds from 2008; the revised 2009 budget will be emailed to you prior to the Board meeting.

Resolution Requested: BE IT RESOLVED that, the Counties Transit Improvement Board adopts the revised budget as presented.

Long-Term Investment Framework

Attachment B Annual Financial Review and Capacity Estimate

May 2009

*Preliminary Draft 4/10
For Discussion Purposes Only*



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COUNTIES **Transit Improvement** BOARD

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**COUNTIES TRANSIT IMPROVEMENT BOARD
ANNUAL FINANCIAL REVIEW AND CAPACITY ESTIMATE
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COUNTIES TRANSIT IMPROVEMENT BOARD
ANNUAL FINANCIAL REVIEW AND CAPACITY ESTIMATE
May 2009

EXECUTIVE SUMMARY

CTIB has significant resources that are estimated to be \$85,000,000 annually. While significant, the potential demands for these funds are also estimated to be significant. Currently committed to provide future funding for the Central Corridor capital expenditures, 50% of the net operating costs for five transitways (including Cedar Avenue, Central Corridor, Hiawatha, I-35W South, and Northstar), and a 1% guaranteed grant to Washington County annually in 2010 and 2011, CTIB should have ample resources for these expenditures. However, the projected draws for Central Corridor will probably result in a need to issue approximately \$35,000,000 in bonds in 2011.

Funding Commitments in 2010 can be met with cash and expected collections of Sales Tax, leaving about \$22.7 million in unspent cash over and above a cash reserve level of 15% of Sales Tax. Any amount of the \$22.7 million that is used to cash fund grants in 2010 will increase the amount of bonding that would otherwise need to be done in 2011. Use of the full \$22.7 million will increase the 2011 bonding need to \$60,000,000, but does not provide any additional grant funds for other purposes until 2014 when cash flow again becomes available.

INTRODUCTION

The Counties Transit Improvement Board has adopted a Long-Term Transit Investment Framework (the "LTIF") setting forth its policies and procedures governing the award of grants of sales tax proceeds. Part 6 of the LTIF calls for the preparation of an annual financial review and capacity estimate. This report has been prepared in response to this requirement in order to provide background information and to assist the Counties Transit Improvement Board, ("CTIB" or the "Board"), review its financial commitments to date, its ongoing ability to meet those commitments, and to estimate the Board's capacity to provide additional future financial assistance to transit projects. (The capacity estimates arrived at in this report are reliant on the assumptions presented herein and actual funding capacity will vary based on facts and circumstances over time.)

This report is presented in two parts. The first part provides general information on the CTIB, its statutory powers, and organization. The second part provides an annual review of relevant financial information concerning tax receipts, granting activity and anticipated requests for funding, and frames the question of what capacity level CTIB has for near-term grant activities.

GENERAL INFORMATION

The Counties Transit Investment Board is comprised of county board representatives appointed by each participating county (Anoka, Dakota, Hennepin, Ramsey, and Washington Counties, together, the “Counties”) and the Metropolitan Council. The Board was created in 2008 under a Joint Powers Agreement. Revenue generating powers of the Board reside primarily in the form of a 0.25% sales and use tax and \$20 per motor vehicle excise tax, (together, the “Sales Tax”), authorized by the 2008 Legislature in Chapter 152, Article 4, Section 2. Each of the five Counties has imposed the Sales Tax within their jurisdiction and the proceeds of the Sales Tax are available to the Board to fund transportation improvements, including debt service on obligations issued to finance such improvements. Additionally, ordinary administrative expenses in an amount not to exceed 0.75% (three-fourths of one percent) of the Sales Tax may be paid from the Sales Tax. The Sales Tax was first implemented July 1, 2008 and the Board received its first collection of revenue from the State in September, 2008.

Financial Principles and the Long-Term Investment Framework

The Counties Transit Investment Board has adopted a Long-Term Investment Framework that sets out the financial principles under which it will operate.

Bonds as a Capitalization Tool

In 2009, Sales Tax is being applied directly to the payment of grants. In future years, expenditures for grant awards may need to exceed the amount of Sales Tax collected over the same period of time. To enable projects to proceed in a timely fashion, the Board was given the ability to issue debt, enabling future revenue collections to be capitalized to provide cash for capital expenditures today.

The Board is permitted under statute to issue limited obligation bonds. The bonds must be supported solely by the Sales Tax collected. This type of transaction is referred to as a revenue bond and there are market requirements that must be met in order for the bonds to be sold in a cost effective way. Certain promises, or covenants, will need to be made for the benefit of bondholders and may include some or all of the following: a pledge of Sales Tax revenues, collections that provide for a coverage ratio above and beyond the amount of debt service due in each year, a segregated debt service reserve fund, and rules under which the Board can issue additional revenue bonds in the future. The strength of the Board’s revenue pledge to any bonds it issues will be enhanced when it has a Sales Tax collection history showing what level of revenue has been received over an extended period of time. Bonds issued under the Board’s statutory language can be sold without an election, at a fixed or variable rate.

The Board is also permitted to use its Sales Tax to support bonds issued by any of the counties or their Regional Rail Authorities. Under the scenario where the county is the issuer the Board would pledge its Sales Tax, or a portion of its Sales Tax, to the repayment of a county's bonds. The county is able to issue revenue bonds or pledge its general obligation as additional credit for the bonds. If desired, the counties could pledge their general obligation to CTIB and CTIB could issue bonds enhanced by the combined counties' general obligation credits, with each county responsible for a "slice" of the combined issue.

In most cases, and particularly given the credit worthiness of the counties involved, many of the market requirements for additional bond covenants will fall away with a general obligation pledge, as that in itself will provide ample security for the bond investors. The county guarantors could determine what bond covenants they wanted for their own comfort as credit enhancers. There are many other factors that need to be considered if general obligation pledges are used, some of which are financial and others that are policy matters or related to the business relationship among the joint parties.

As noted, the Board may also use its Sales Tax to support bonds issued by a Regional Rail Authority. The Regional Rail Authority may pledge its limited taxing powers as additional security for the bonds, but the bonds so issued would not be general obligation bonds with unlimited taxing powers pledged. They would instead be enhanced by the limited tax pledge. Depending on the amount of the limited tax and the nature of the pledge, this could nevertheless be a powerful credit enhancement tool.

Expectations at this time would permit bonds of the Board, the counties, or the Regional Rail Authority to be issued as tax exempt bonds. A plethora of federal tax regulations attend tax exempt bonds, however, one to focus on at this time is that the bond proceeds generally cannot be used for operating expenses. As cash flows are developed and expenditure commitments are made, care will need to be taken to demonstrate that bond proceeds are planned for capital expenditures only. Additional provisions restricting the use of tax exempt bonds for private activities will also need to be considered. Limitations relating to who has use of a project or portion of a project or the terms of a management agreement are examples of items that sometimes threaten tax exemption.

No specific authority for CTIB to issue grant anticipation bonds is contained in Chapter 152 or in the Joint Powers Agreement.

ANNUAL REVIEW AND CAPACITY ESTIMATES

The CTIB's funding capacity will rely on the magnitude of its available revenues, the size and timing of projects' dollar needs, and its ability to access the capital markets effectively. The balance of this report speaks to these items.

Sales Tax

Due to the limited history of collection of Sales Tax, exacerbated by the current economic recession, it is difficult to anticipate what the collection levels of the Sales Tax will be. Sales Tax revenues used to develop capacity estimates for CTIB are assumed for purposes of this report to be \$85,000,000 annually based on receipts in 2008 and the first quarter of 2009. Assumed collections for future years have been increased by 1.0% annually.

Sales Tax receipts to date (actual cash received, not revenue earned) are summarized in the table below.

	Net Receipt	Cumulative
Sep-08	\$7,000,000	\$7,000,000
Oct-08	5,367,826	12,367,826
Nov-08	8,573,977	20,941,802
Dec-08	7,756,662	28,698,464
Jan-09	7,000,000	35,698,464
Feb-09	6,989,250	42,687,714
Mar-09	8,760,925	51,448,639
Apr-09	TBD	TBD
Average	\$7,349,806	

Projects, Pay 2009 Grants, and Future Funding Commitments

Grants Awarded/Paid to date/Cash flow requirements

In 2008, CTIB conducted its first grant process. A total of \$85,971,778 was awarded to the following recipients:

Type	Project	Mode	CTIB Cost	CTIB Operating \$\$	Other/TBD	Total
Pay 2009 Grants						
Ca	Northstar Fridley	Station/Commuter	9,921			9,921
Ca	Cedar Ave Apple Valley	Station/BRT	6,950			6,950
Ca	Central Corridor	LRT	26,012			26,012
Op	Hiawatha	LRT		7,478		7,478
Op	I-35W South	BRT		63		63
Op	Northstar	Commuter		3,793		3,793
Op	Cedar Ave	BRT		23		23
O	Metropolitan Council				30,783	30,783
TBD	Washington County	TBD			950	950
			\$ 42,883	\$ 11,356	\$ 31,733	\$ 85,972

NOTE: Dollars are in 1,000s and rounded.

Going into 2009, CTIB had a cash balance from 2008 tax collections of approximately \$28,000,000. For 2009, CTIB anticipates receipts of \$85 million and expenditures of \$85.9 million. Grants awarded to date should be easily met with a combination of cash on hand and anticipated 2009 revenues.

Funding Commitments/Cash Flow Requirements

In addition to grants already designated, CTIB can make a formal funding commitment (“Future Funding Commitment”) to a project as a result of statutory requirements, its joint powers agreement, or CTIB resolution/s. Funding Commitments include a minimum level (1% of collected tax revenue) of annual grant to any county participant for three years, capital funding for Central Corridor, and 50% of the amount of any annual operating deficit funding for 5 transit corridors. Current estimates of costs for these Funding Commitments are shown below. Operating cost estimates shown are for the year 2014 for each of the projects.

Type	Project	Mode	Total Future Cost Est.	Annual Operating \$\$	Other/TBD
Funding Commitments for Future Costs					
Op	Cedar Ave*	BRT		2,096	
Ca/Op	Central Corridor	LRT	248,454	6,888	
Op	Hiawatha	LRT		7,817	
Op	I-35W South*	BRT		1,897	
Op	Northstar	Commuter		5,990	
TBD	Washington County	TBD			850
			\$ 248,454	\$ 24,688	\$ 850

* Station to station and expanded service. Cedar Ave. costs expected to increase with proposed future phases.
NOTE: Dollars are in 1,000s and rounded.

Twin Cities Transitways

Development of a regional network of connected transitways is a fluid task. The development process for transitways from planning, alternatives analysis, design, engineering to construction is lengthy and can vary significantly from project to project because of specific issues as well as third party funding decisions. While all the cost and timing information reflects estimates, the earlier in the development process for any project, the more volatile cost and timing estimates are. At the same time, it is necessary for financial planning to have some sense of the order of magnitude and general timing of potential funding needs.

To provide a framework for financial planning, a list has been developed that is an illustrative list of potential transit projects that may over time vie for CTIB resources. **The presence of a project on the list of “Twin Cities Transitways” does not imply concurrence by CTIB with the proposed mode, cost, or timing; or a CTIB future funding commitment.** The list has been developed solely to assist in financial planning activities on an order of magnitude basis

and to help focus other related discussions on overall regional transit needs. It will be updated at least once a year to reflect current data related to these transitways.

The table on the following page titled “Illustrative List of Twin Cities Transitways” lists each transitway under one of four groupings. The first and second groupings include the Pay 2009 Grants and Funding Commitments. The third grouping includes those projects for which CTIB has taken some action, including requesting funds either state or federal sources. All other projects are in the fourth grouping.

For each project in group three or four, a mode is indicated and its current stage of development. The total estimated cost for the mode indicated is shown together with the amount of CTIB grant money that may be requested for the project. If annual operating subsidies are likely to be requested, they are shown together with the year in which the project is expected to reach its full operating level.

The second table following presents all the projects in a similar format, but indicates by project and in aggregate when the funding requests for each project may be made.

Illustrative List of Twin Cities Transitways

Type	Project	Mode	Status	Capital		Other/TBD
				Total Cost	CTIB Cost	
Pay 2009 Grants						
2009 Grants	Northstar Fridley	Station/Commuter		14,376	9,921	
Ca	Cedar Ave Apple Valley	Station/BRT		20,086	6,950	
Ca	Central Corridor	LRT		see below	26,012	
Op	Hiawatha	LRT				
Op	I-35W South	BRT				
Op	Northstar	Commuter				
Op	Cedar Ave	BRT				30,783 one time
O	Metropolitan Council					950
TBD	Washington County	TBD		\$ 34,462	\$ 42,883	\$ 31,733
Funding Commitments for Future Costs						
2009 Grants	Cedar Ave**	BRT				
Op	Central Corridor	LRT		914,886	248,454	
Ca/Op	Hiawatha	LRT				
Op	I-35W South**	BRT				
Op	Northstar	Commuter				
TBD	Washington County	TBD		\$ 914,886	\$ 248,454	850 2010 & 2011
Pay 2009 Capital Grants & Funding Commitments						
Funding Commitments				\$ 949,348	\$ 291,337	
Twin Cities Transitways Advocated by CTIB***						
Twin Cities Transitways	Botineau	TBD/LRT shown	AA Design/Const.	1,005,000	300,000	2011
Advocated by CTIB	Cedar Ave	BRT	Design/Const.	117,447	36,451	2010
Twin Cities Transitways	I-35W South	BRT	To be studied	80,500	29,750	2015
Advocated by CTIB	I-94 East	TBD/LRT shown	Feasibility	622,000	186,600	2012
Twin Cities Transitways	Northern Lights Express	Inter-City Passenger	Feasibility	560,000	11,760	2015
Advocated by CTIB	Northstar Cambridge	TBD/Commuter shown	Feasibility	300,000	60,000	2010
Twin Cities Transitways	Red Rock Corridor	Commuter	AA complete	637,000	191,100	2012
Advocated by CTIB	Robert Street	TBD	Feasibility	13,000	2,700	2010
Twin Cities Transitways	Rush Line	TBD/Commuter shown	AA	534,200	160,110	2010
Advocated by CTIB	Southwest	LRT	AA/EIS	1,268,500	379,500	2010
Twin Cities Transitways				\$ 5,137,647	\$ 1,357,971	
Other Twin Cities Transitways/Projects***						
Other TC Transitways	Opportunity Set-Aside	TBD	To be studied	100,000	30,000	2010
Advocated by CTIB	I-35W North	TBD/BRT shown	To be studied	520,500	156,000	2010
Other TC Transitways	Northeast Diagonal	TBD/BRT shown	Design	15,000	10,500	2011
Advocated by CTIB	Northstar CR/Foley	Station	Feasibility	11,000	3,300	2013
Other TC Transitways	Northstar Ramsey	Station	Feasibility	30,000	10,000	2013
Advocated by CTIB	Riverview	TBD/Attri. BRT shown	Feasibility	676,500	209,800	
Other TC Transitways				\$ 5,814,147	\$ 1,567,771	

(Dollars in Thousands)

* This list includes projects whose statuses range from conceptual to operational. Costs are not adjusted for inflation.

** For Station-to-Station service and expanded BRT service.

*** Projects on this sub-list may have lower levels of certainty relative to mode, cost, timing, and/or conformance with CTIB funding criteria.

Annual Funding Needs for Illustrative List of Twin Cities Transitways

Type	Project	Mode	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2009 Grants													
Ca	Northstar Fridley	Station/Commuter	9,921										
Ca	Cedar Ave Apple Valley	Station/BRT	6,950										
Ca	Central Corridor	LRT	26,012										
Op	Hiawatha	LRT	7,478										
Op	I-35W South	BRT	63										
Op	Northstar	Commuter	3,793										
Op	Cedar Ave	BRT	23										
O	Metropolitan Council		30,783										
TBD	Washington County	TBD	950										
			\$ 85,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Funding Commitments for Future Costs													
Op	Cedar Ave**	BRT	-	55	57	2,096	2,096	2,096	2,096	2,096	2,096	2,096	2,096
Ca/Op	Central Corridor	LRT	-	61,433	108,697	78,324	-	6,888	7,049	7,214	7,382	7,554	7,729
Op	Hiawatha	LRT	-	7,817	8,169	8,533	8,909	9,298	9,701	9,701	9,701	9,701	9,701
Op	I-35W South**	BRT	-	322	1,897	1,957	2,019	4,634	4,780	4,930	5,085	5,246	5,411
Op	Northstar	Commuter	-	5,990	5,749	6,092	6,324	6,563	6,810	6,810	6,810	6,810	6,810
TBD	Washington County	TBD	-	859	867								
			\$ -	\$ 76,476	\$ 125,436	\$ 97,002	\$ 19,348	\$ 29,479	\$ 30,436	\$ 30,751	\$ 31,074	\$ 31,406	\$ 31,746
			\$ 85,972	\$ 76,476	\$ 125,436	\$ 97,002	\$ 19,348	\$ 29,479	\$ 30,436	\$ 30,751	\$ 31,074	\$ 31,406	\$ 31,746
Twin Cities Transitways Advocated by CTIB***													
Ca/Op	Bottineau	TBD/LRT shown	-	-	5,000	5,000	5,000	10,000	100,000	100,000	79,000	9,000	9,000
Ca/Op	Cedar Ave	BRT	-	11,833	-	-	638	-	-	-	-	23,981	-
Ca	I-35W South	BRT	-	7,500	-	-	5,500	-	5,000	900	1,200	11,750	-
Ca/Op	I-94 East	TBD/LRT shown	-	-	-	-	-	-	900	900	1,200	1,200	1,200
Ca	Northern Lights Express	Inter-City Passenger	-	-	-	5,880	-	-	-	-	-	-	-
Ca/Op	Northstar Cambridge	TBD/Commuter shown	-	-	-	900	900	1,200	420	1,980	6,000	25,800	25,800
Ca/Op	Red Rock Corridor	Commuter	-	-	-	1,800	900	900	1,200	1,200	1,200	28,500	28,500
Ca	Robert Street	TBD	-	-	-	-	-	-	3,000	-	1,500	-	-
Ca/Op	Rush Line	TBD/Commuter shown	-	1,380	2,730	1,500	1,500	150,000	68,000	8,000	8,000	8,000	30,000
Ca/Op	Southwest	LRT	-	4,500	6,000	9,000	150,000	150,000	178,520	112,080	96,900	108,231	102,500
			\$ -	\$ 25,213	\$ 11,000	\$ 25,310	\$ 168,780	\$ 162,738	\$ 178,520	\$ 112,080	\$ 96,900	\$ 108,231	\$ 102,500
Other Twin Cities Transitways/Projects***													
Ca/Op	Opportunity Set-Aside	TBD	-	-	-	-	-	-	-	-	-	-	15,000
Ca/Op	I-35W North	TBD/BRT shown	-	-	-	-	-	1,500	-	3,000	-	1,500	-
Ca/Op	Northeast Diagonal	TBD/BRT shown	-	-	-	-	-	-	-	-	-	-	-
Ca	Northstar CY/Foley Station	Station	-	-	9,800	-	-	-	-	-	-	-	-
Ca	Northstar Ramsey	Station	-	-	300	3,000	-	-	-	-	-	-	-
Ca/Op	Riverview	TBD/Artrl. BRT shown	-	-	-	-	1,500	-	3,000	-	1,500	-	37,500
			\$ -	\$ -	\$ 10,100	\$ 3,000	\$ 1,500	\$ 1,500	\$ 3,000	\$ 3,000	\$ 1,500	\$ 1,500	\$ 52,500
			\$ 85,972	\$ 101,689	\$ 146,536	\$ 125,312	\$ 189,628	\$ 193,716	\$ 211,956	\$ 145,831	\$ 129,474	\$ 141,137	\$ 186,746
Total All Projects Listed													

(Dollars in Thousands)
 * This list includes projects whose statuses range from conceptual to operational. Costs are not adjusted for inflation.
 ** For Station-to-Station service and expanded BRT service.
 *** Projects on this sub-list may have lower levels of certainty relative to mode, cost, timing, and/or conformance with CTIB funding criteria.

Perspectives on Grant Capacity

Overview

In addressing granting capacity, the CTIB Financial Principles contained in the LTIF must be taken into consideration. The Financial Principles speak to the grant process as one that realistically measures resources, recognizes existing funding commitments, and relies on a forward looking financial plan to anticipate the availability of funds. As mentioned, the current financial plan assumptions include total tax receipts of \$85 million in 2009, increasing at 1% annually thereafter. Existing commitments include the Pay 2009 Grants and the anticipated needs of the Funding Commitments. The anticipated timing of Funding Commitments grant needs have been estimated by transit staff and are shown above as they are included in the financial model. Primary in terms of immediate dollar requirement is the capital expenditure for the Central Corridor, which will require approximately \$248 million from CTIB over the next three to four years.

Timing of expenditures affects the CTIB's ability to delay the need to bond for financing or to seek additional revenue sources. To the extent project flow results in a metering of early expenditures, pay-as-you-go financing of grants is possible. The natural timing of transit projects does meter their financial demands to some extent. The availability of complementary funding from other sources also impacts when and how major projects proceed.

Should the CTIB Issue Bonds?

While bonds offer the ability to accelerate access to future cash receipts, there are several factors that should encourage CTIB to continue with pay-as-you-go financing at this time, including:

- Financing needs indicated do not suggest that bonding is necessary at this time.
- CTIB has a limited history as an organization. To compensate for lack of a demonstrated ability to manage its affairs, more restrictive covenants could result and would limit current and future bonding capacity.
- The CTIB has not completed a full fiscal year of operations and has no audited financial statements.
- CTIB has a limited history of Sales Tax collection. Again, to compensate, more restrictive covenants could result.
- CTIB is early in the process of identifying its common goals and it may be premature to ask individual members to make the long-term financial commitment that bonding will require.
- While improving, the market is still very unstable and inflexible. It is not a good time to be negotiating terms for a major new borrower that will impact CTIB for the life of the financing if sold today.

- In today's market, borrowing before dollars are needed for project expenditures will cause negative arbitrage expense to be incurred because reinvestment rates are so much lower than borrowing rates are. Bonding also increases expenses overall because costs of issuance will be incurred as will interest expense until the bonds are repaid.
- There are no sunset provisions to state or federal statute that would cause CTIB to forego an opportunity by not bonding today.

Establishing Reserves

The LTIF Financial Principles require that CTIB conduct business in a way that insures funds will be available to meet its grant commitments. One way to do this is to establish an adequate reserve. At this time in its financial development, with only its pay-as-you-go grant activity and no bond covenants in place, reserve levels can be lower than may be prudent (or required by bond covenants) at a later date. It is, however appropriate to reserve against two risk elements at this time. The first is Sales Tax volatility. In the event that Sales Tax drops below assumed collections, cash flow will be impaired. This can be addressed in a current year by building a cash reserve. Adjustments to subsequent years' budgets and funding sources (cash or bond proceeds) can be made to address revenue reductions that are expected to be longer term in nature and to enable replenishment of the cash reserve.

The second risk element that can be addressed through a cash reserve results if project grant payments cannot be metered evenly over a grant year and monthly cash flow needs exceed current sales tax receipts or if an emergency need arises. It is recommended that a cash reserve be established to fund those contingencies. If it becomes prudent to honor significant aggregations of expenditure requests in the early part of the year, an alternative means of funding those expenditures will need to be identified, such as a short-term loan or a shifting of the timing of payments to other grantees where possible.

A cash reserve of 15% of anticipated annual collections to serve both risk factors discussed above will be established in 2010. The need for and size of the cash reserve will be revisited not less than annually and upon the proposed issuance of any bond.

Estimating Capacity

Pay 2009 Grant Cycle

In 2009, CTIB awarded grants totaling \$85.9 million. The estimated Sales Tax to be received in 2009 is \$85 million. Collection of Sales Tax resulted in a cash balance at year end 2008 that will adequately cover the amount by which expenditures are expected to exceed estimated collections of revenue. A recap of anticipated cash activity in 2009 follows:

12/08 Est. Cash Balance	\$28,000
Sales Tax Receipts	85,000
Investment Earnings	193
Grant Expenditures	(85,872)
Administration/Other	(750)
12/09 Est. Cash Balance	<u>\$26,571</u>
(Dollars in thousands)	

Pay 2010 Grant Cycle

In 2010 and beyond, the grant cycles will need to make a reservation of funds for projects that have a Funding Commitment from CTIB. Estimates of future costs for Funding Commitments that result in a reservation of funding capacity over the next three years:

	2010	2011	2012
Central Corridor Capital	61,433	108,697	78,324
Operating Grants	14,184	15,872	18,679
Other	859	867	
TOTAL	\$76,476	\$125,436	\$97,003

Significant capital expenditures for the Central Corridor are expected over the next three years. The chart below illustrates that in 2011 CTIB will probably need to address how to fund the expenditure demands of its Funding Commitments. The chart below also illustrates that in 2010 the Funding Commitments can be met with cash on hand plus anticipated Sales Tax collections.

	2010	2011	2012
Beginning Cash	\$26,571	\$35,607	(\$3,414)
plus Tax Receipts	85,850	86,709	87,576
plus Investment Earnings	306	356	-
less Administration	(644)	(650)	(657)
less Funding Commitments	(76,476)	(125,436)	(97,003)
ENDING CASH (no bonds/no reserve)	\$35,607	(\$3,414)	(\$13,498)
Cash Reserve	\$12,878	\$13,006	\$13,136
Available/Uncommitted Cash	\$22,729	(\$16,420)	(\$26,634)

Assuming that additional cash grants of \$22.7 million are made in 2010, when combined with the outstanding Funding Commitments will drive a need to borrow an estimated \$60,000,000 to provide for the Funding Commitments.

Cash Flow Projection with \$60 M Bond Issue			
	2010	2011	2012
Beginning Cash	\$26,571		
plus Tax Receipts			
plus Investment Earnings			
plus Bond Proceeds	TBD		
less Administration			
less Debt Service			
less Funding Commitments			
less Available for addn'l 2010 Grants			
ENDING CASH (bonds/no reserve)	\$26,571	\$0	\$0
Cash Reserve			
Available/Uncommitted Cash	\$26,571	\$0	\$0

If the 2009 revenue assumptions discussed in this report are realized, additional cash funded grants could be provided in 2010. To the extent that this is done, it will increase the amount needed to be borrowed in 2011 or 2012 by a like amount. For example, if an additional \$22.7 million is granted in 2010, any bonds otherwise sold in 2011 will need to increase to provide an additional \$22.7 million in proceeds to fulfill the Funding Commitment expenditure requirements.

The following page contains a cash flow projection providing more detail behind the “Cash Flow Projection with \$60 M Bond Issue” table shown above. Bonding scenarios assume that cash reserve levels are increased to cover 15% of sales tax collections and 100% of maximum annual debt service on any bonds sold.

**ESTIMATED CASH FLOW
FUNDING COMMITMENTS
\$60,000,000 BONDING IN 2011**

[To be provided]

DRAFT



DRAFT

MEMORANDUM

Agenda Item #5b

April 10, 2009

TO: Counties Transit Improvement Board

FROM: Sr. Staff Coordinating Team

SUBJECT: GEARS Committee and Other Comments on Framework

At its meeting on April 9, 2009, the GEARS Committee reviewed the CTIB Transit Investment Framework document. The GEARS Committee has until Tuesday, April 14 to offer comments. Staff will revise the Transit Investment Framework document on Tuesday and bring an updated draft reflecting GEARS comments to the Board meeting on Wednesday.

Resolution Requested: Discussion

Counties Transit Improvement Board
2010 Congressional Authorization and Appropriations Request

CTIB Transitway Project	Authorization Request*	FY 2010 Amount Requested
Central Corridor LRT (top priority)	Full Authorization through Construction (\$914M)	\$25 M
Bottineau Transitway	Preliminary Engineering, Design and Construction	\$1 M
Cedar Avenue BRT	Phase II Implementation (\$13 M) and New Starts Eligibility	\$12 M (Phase I)
I-35W South BRT	NA	\$0
I-94 East Corridor	Alternatives Analysis, Preliminary Engineering, Design and Construction	\$4 M (Alternatives Analysis, Preliminary Engineering)
Midwest Rail Initiative from Chicago to St. Paul and Minneapolis	Environmental Documentation, Final Design, Preliminary Engineering, Construction and Equipping	\$0
Northern Lights Express (passenger rail)	Environmental, ROW Acquisition, Preliminary Engineering, Design and Construction	\$3.75 M
Northstar Extension to Cambridge	Environmental, ROW Acquisition, Preliminary Engineering, Design and Construction	\$0
Northstar Extension to St. Cloud	Environmental, ROW Acquisition, Preliminary Engineering, Design and Construction	\$480,000 (Commuter Coaches) \$6 M (Preliminary Engineering)
Red Rock Commuter Rail	Preliminary Engineering, Design & Construction	\$0
Robert Street Corridor	None	\$4 M
Rush Line Corridor (commuter rail and/or BRT)	AA, Preliminary Engineering, Design and Construction	\$0
Southwest LRT	Preliminary Engineering, Design and Construction	\$9 M
Union Depot	Preliminary Engineering, Design and Construction	\$138 M
Minneapolis Intermodal Station	Authorization – (\$130 M)	\$36 M
Riverview	Federal funding to support the completion of a study into transit options for this corridor *	\$1 M
Total		\$240,230,000

Metropolitan Council Requests	Authorization Request	FY 2010 Amount Requested
Northstar Locomotive	NA	\$3 M
Regional Transitway Studies	NA	\$1.5 M
Hybrid Bus Upgrades	NA	\$10 M
Total		\$14,500,000

*The list of corridors requesting authorization was approved at the January meeting of CTIB, except for Riverview Corridor.