

DATE: June 13, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-11
Authorizing Short-Term Interfund Operating Loans for FY 2012-2013

BOARD ACTION REQUESTED

Adopt Resolution No. 6948

ACTION DESCRIPTION

This action will authorize, through June 30, 2013, short term interfund operating loans pursuant to the provisions of ORS 294.468, which states that:

“It shall be lawful to loan money from any fund to any other fund of the municipal corporation whenever the loan is authorized by official resolution or ordinance of the governing body.”

This action will authorize interfund operating loans, not to exceed \$1,000,000 in aggregate, from the Grant Offset Fund, Fund 108, the Small Business Loan Fund, Fund 410, and the Business Development Loan Fund, Fund 463, to the CDBG - Economic Opportunity Initiative Fund, Fund 213. The interfund operating loans are necessary to bridge the time between expenditure of funds to provide services under intergovernmental agreements and subrecipient agreements with the Portland Housing Bureau (“PHB”) and the City of Portland (the “City”) and the date PDC is reimbursed for those services by PHB and the City.

BACKGROUND AND CONTEXT

Due to inevitable time lags between the end of a billing period and reimbursement from the City of Portland, PDC periodically experiences negative cash balances in the following fund:

- Fund 213 – CDBG-EOI Fund

Negative balances in any fund represent de facto interfund borrowings that must be authorized by the Commission. PDC’s independent financial auditor, Moss Adams, stated in its December 20, 2007, letter to management that “...for both state legal and governmental accounting purposes, overdrawn cash balances represent inter-fund borrowings.....and cash balances should be monitored on a monthly basis to identify individual funds that are at risk for overdrawing their share of the pooled cash and investments. The revised monitoring procedures should include informing the Board of Commissioners of the need for an inter-fund borrowing timely enough to approve the loan via resolution in advance.” This authorization allows staff to shift cash as needed, up to \$1,000,000 in aggregate, from the lending funds to the recipient fund. Absent the interfund loans, there would be a negative cash balance in the recipient fund at month end representing that month’s expenditures plus any unreimbursed prior month expenditures.

Under the terms of anticipated agreements between PDC, PHB and the City, PDC will continue operating the Economic Opportunity Initiative on behalf of the City and PHB during FY 2012-13. And it is anticipated that the delay in reimbursement under those agreements would result in negative cash balances in Fund 213 (CDBG - Economic Opportunity Initiative Fund) absent interfund borrowing. Accordingly, in order to ensure that adequate cash balances are maintained on a monthly basis for audit purposes and to comply with Oregon state law and governmental accounting requirements, PDC staff requests the Board's authorization of short-term interfund operating loans. Attachment A summarizes the recent average borrowing requirements based on outstanding receivables.

COMMUNITY AND PUBLIC BENEFIT

The action will ensure compliance with Local Budget Law ORS 294.468, which requires Board authorization of an interfund loan.

PUBLIC PARTICIPATION AND FEEDBACK

Not Applicable

BUDGET AND FINANCIAL INFORMATION

A summary of the recent average borrowing requirements based on outstanding receivables is included as Attachment A to this report.

In the event that PDC fails to receive sufficient reimbursement from the City to repay the interfund loans, permanent funding sources will be identified in the next budgetary cycle to repay the lender funds.

RISK ASSESSMENT

Adoption of this resolution reduces PDC's risk of noncompliance with Local Budget Law ORS 294.468. PDC is required to replenish the lending fund within the fiscal year or budget the repayment in the following fiscal year.

ALTERNATIVE ACTIONS

There is no alternative action available at this time. Taking no action could result in an audit comment regarding unauthorized interfund borrowings.

ATTACHMENTS

- A. Summary of Outstanding Interfund Loans

Attachment A
Portland Development Commission
Summary of Outstanding Interfund Loans

Borrowing Period	CDBG-EOI Fund
Apr-11	\$475,000
May-11	570,000
Jun-11	835,000
Jul-11	600,000
Aug-11	100,000
Sep-11	225,000
Oct-11	200,000
Nov-11	390,000
Dec-11	225,000
Jan-12	495,000
Feb-12	150,000
Mar-12	<u>430,000</u>
Average Borrowing	\$391,250