

DATE: June 24, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-38

Authorizing Short-Term Interfund Operating Loans Not to Exceed \$1,000,000 from Specified Funds to the Community Development Block Grant – Economic Opportunity Initiative Fund and Neighborhood Prosperity Initiative Urban Renewal Area Funds from July 1, 2015 to June 30, 2016

BOARD ACTION REQUESTED

Adopt Resolution No. 7124

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize, through June 30, 2016, short-term interfund operating loans pursuant to the provisions of Oregon Revised Statutes (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.”

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 (City) and the date PDC is reimbursed for those services by PHB and the City for the Economic Opportunity Initiative (EOI) Fund and in the case of the Neighborhood Prosperity Initiative (NPI) districts, the time between the beginning of the fiscal year and the receipt of tax increment financing (TIF) du jour proceeds.

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 Community Development Block Grant (CDBG)/EOI Fund, Fund 213; the 42nd Avenue NPI Fund, Fund 310; the Cully Boulevard NPI Fund, Fund 311; the Parkrose NPI Fund, Fund 312; the Rosewood Initiative NPI Fund, Fund 313; the Division-Midway NPI Fund, Fund 314; and the 82nd Avenue & Division NPI Fund, Fund 315.

BACKGROUND AND CONTEXT

Due to inevitable time lags between the end of a billing period and reimbursement from the City, PDC periodically experiences negative cash balances in Fund 213 – CDBG/EOI Fund. PDC further anticipates continuing project work in the NPI districts to exceed currently available funding until the receipt of TIF du jour proceeds in early 2016.

Negative balances in any fund represent de facto interfund borrowing that must be authorized by the PDC Board. 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 interfund 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 interfund 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 funds. Absent the interfund loans, there would be a negative cash balance in the recipient funds 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 EOI on behalf of the City and PHB during fiscal year 2015-16. It is anticipated that the delay in reimbursement under those agreements would result in negative cash balances in Fund 213 (CDBG/EOI Fund) absent interfund borrowing. Attachment A summarizes the recent average borrowing requirements based on outstanding receivables in this fund.

Funding in the NPI district funds will not be available until TIF du jour proceeds are received in March 2016. The absence of these funds in the interfund loans could result in a delay in the current project activities within those funds or result in negative cash balances in those funds.

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 PDC Board's authorization of short-term interfund operating loans.

COMMUNITY AND PUBLIC BENEFIT

The action will ensure compliance with ORS 294.468, which requires PDC Board authorization of interfund loans.

PUBLIC PARTICIPATION AND FEEDBACK

There has been no public participation regarding this proposed action.

BUDGET AND FINANCIAL INFORMATION

A summary of the recent average borrowing requirements based on outstanding receivables in Fund 213 is included as Attachment A to this report. The needs of the NPI district funds have been estimated to be \$80,000 in aggregate (Funds 310 through 315).

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 non-compliance with 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

Summary of Outstanding Interfund Loans

Borrowing Period	CDBG/EOI Fund
May-14	\$292,000
Jun-14	292,000
Jul-14	292,000
Aug-14	292,000
Sep-14	293,000
Oct-14	376,000
Nov-14	229,000
Dec-14	144,000
Jan-15	90,000
Feb-15	383,000
Mar-15	25,000
Apr-15	<u>385,000</u>
Average Borrowing	<u>\$257,750</u>