



**DATE:** June 25, 2014  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 14-28  
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 from July 1, 2014, to June 30, 2015

### **BOARD ACTION REQUESTED**

Adopt Resolution No. 7061

### **ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize, through June 30, 2015, 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.”

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) – Economic Opportunity Initiative (EOI) 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 (City) and the date PDC is reimbursed for those services by PHB and the City for the EOI Fund.

### **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 the following fund:

- 213 – CDBG-EOI Fund

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 2014-15. It is also anticipated that the delay in reimbursement under those agreements would result in negative cash balances in Fund 213 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 PDC Board's authorization of short-term interfund operating loans.

#### **COMMUNITY AND PUBLIC BENEFIT**

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

#### **PUBLIC PARTICIPATION AND FEEDBACK**

None.

#### **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. 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

**Summary of Outstanding Interfund Loans**

<b>Borrowing Period</b>	<b>CDBG-EOI Fund</b>
May 2013	329,000
Jun 2013	312,000
Jul 2013	430,000
Aug 2013	47,000
Sep 2013	55,000
Oct 2013	88,000
Nov 2013	130,000
Dec 2013	32,000
Jan 2014	371,000
Feb 2014	20,000
Mar 2014	295,000
Apr 2014	448,000
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Average Borrowing	\$213,083