

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: January 14, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-02
Authorize Resolution to Extend Short-Term Interfund Operating Loans to Cover Billing and Payment Timing Differences

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6659

ACTION SUMMARY

This action will authorize an extension of Resolution 6590 (May 28, 2008, expired December 31, 2008) for ongoing interfund operating loans pursuant to the provisions of ORS 294.460, 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.”

Resolution 6590 authorized interfund loans not to exceed of \$4,200,000 from certain components of the Enterprise Loans Fund to the Housing and Community Development Contract Fund (CDBG) Fund 110, Lead Hazard Abatement Program Fund Fund 111, and HOME Grant Program Fund Fund 185.

PUBLIC BENEFIT

Compliance with Local Budget Law ORS 294.460 which requires Board authorization of an interfund loan.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

Given the administrative nature of this action, no efforts to engage public participation have been taken.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Adoption of this resolution is necessary to comply with Local Budget Law ORS 294.460 and governmental accounting standards.

FINANCIAL IMPACT

In the event that CDBG does not reimburse PDC for billings, 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 294.460. PDC is required to replenish the fund within the fiscal year or budget the repayment in the following fiscal year.

WORK LOAD IMPACT

There is no anticipated work load impact.

ALTERNATIVE ACTIONS

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

CONCURRENCE

Not applicable.

BACKGROUND

Due to inevitable time lags between the end of a billing period and reimbursement from the Bureau of Housing and Community Development (BHCD), PDC periodically experiences negative cash balances in the following funds:

- Fund 110 – Housing and Community Development Contract Fund (CDBG)
- Fund 111 – Lead Hazard Abatement Program Fund
- Fund 185 – HOME Grant Program 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 their 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".

In March 2008, the Board approved Resolution 6567 which authorized an interfund loan of \$1,825,000 from the "Fund 415- CDBG Program Reserve Fund" ("Fund 415") to Fund 110 to appropriately reflect the overdrawn cash balance of Fund 110 due to failure of the City of

Portland, Bureau of Housing and Community Development (“BHCD”) to remit reimbursement payments to PDC for seven months of billings. These billings have since been repaid by BHCD.

In May 2008, the Board approved Resolution 6590 which authorized ongoing interfund operational loans from Enterprise Loans Fund (150, 412, 415, 425,431, 463, 464) to Special Revenue Funds: 110 Housing and Community Development Contract Fund; 111 Lead Hazard Abatement; and 185 HOME Grant Fund through December 31, 2008. This blanket authorization has allowed staff to shift cash as needed from the Enterprise Loans Fund to the recipient funds. See Attachment A for a recent history of borrowings. For a given month, there will always be a negative cash balance in each of these funds at month end representing that month’s expenditures plus any unreimbursed prior month expenditures. 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 that the Board authorize an extension of ongoing interfund borrowings.

ATTACHMENTS: A. Summary of Average Outstanding Interfund Borrowing