

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: September 24, 2010

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 10-82
Authorize Short-Term Interfund Operating Loans to Cover Billing and Payment Timing Differences

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6820

ACTION SUMMARY

This action will authorize, through June 30, 2011, short term 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.”

This action will authorize interfund operating loans, not to exceed \$1,000,000 in aggregate, from the N/NE Business Assistance Fund, Fund 410, and the Business Assistance Loan Fund, Fund 463, to the Urban Redevelopment Fund, Fund 101, the Economic Opportunity Initiative Fund, Fund 106, the PHB Support Services Fund, Fund 107, and 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’s Office and Management and Finance (“OMF”) and the date PDC is reimbursed for those services by PHB and OMF.

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 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 294.460. PDC is required to replenish the lending 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 City of Portland, PDC periodically experiences negative cash balances in the following funds:

- Fund 101 – Urban Redevelopment Fund
- Fund 106 – Economic Opportunity Initiative Fund
- Fund 107 – PHB Support Services 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 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". 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 always be a negative cash balance in each of the recipient funds at month end representing that month's expenditures plus any unreimbursed prior month expenditures.

Resolution 6803, June 23, 2010, authorized a series of agreements with the City of Portland by and through the Portland Housing Bureau pursuant to which PHB implements a portion of PDC's urban renewal activities and PDC provides certain services to PHB to support those activities. Additionally, pursuant to other agreements, PDC administers for the City and the Office of Management and Finance the Economic Opportunity Initiative as well as other economic development programs budgeted by the City. 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 ongoing interfund borrowings, up to a maximum of \$1,000,000, from the N/NE Business Assistance Fund, Fund 410, and the Business Assistance Loan Fund, Fund 463, to the Urban Redevelopment Fund, Fund 101, the Economic Opportunity Initiative Fund, Fund 106, the PHB Support Services Fund, Fund 107, and the CDBG - Economic Opportunity Initiative Fund, Fund 213, to bridge the time between expenditure of funds to provide services under the agreements referenced above and the date PDC is reimbursed for those services by PHB and OMF. A review of the attachments illustrate the average borrowing requirements based on outstanding receivables and a reduced availability of dollars within the lending funds, which are sub-funds of Enterprise Loans Fund.

ATTACHMENTS: A. Summary of Average Outstanding Receivable Balances and Fiscal Year 2011 Budget for Fund 107

B. Available Enterprise Loans Fund Cash

**Portland Development Commission
 Summary of Monthly Receivable Balances**

Billing Period	Urban Redevelopment Fund	General Fund EOI	CDBG - EOI Fund	Billings Outstanding
	101	106	213	Total
Jul-09	\$0	\$0	\$0	\$0
Aug-09	\$451,985	\$69,169	\$136,718	\$657,872
Sep-09	\$451,985	\$69,169	\$129,698	\$650,852
Oct-09	\$1,110,637	\$56,312	\$383,966	\$1,550,915
Nov-09	\$1,291,807	\$56,312	\$254,267	\$1,602,386
Dec-09	\$1,647,463	\$292,945	\$650,077	\$2,590,485
Jan-10	\$1,901,362	\$488,029	\$629,267	\$3,018,658
Feb-10	\$1,901,362	\$440,398	\$895,721	\$3,237,481
Mar-10	\$656,161	\$557,571	\$193,127	\$1,406,859
Apr-10	\$1,372,599	\$940,701	\$560,505	\$2,873,805
May-10	\$1,380,169	\$941,001	\$331,287	\$2,652,457
Jun-10	\$299,770	\$856,731	\$742,696	\$1,899,197
Average Outstanding <small>(last 12 months)</small>	\$1,038,775	\$397,362	\$408,944	\$1,845,081

**PHB Support Services Fund
 FY2011 Budget**

Support Services	Pers.Services/ Overhead	Materials & Services	Total
Prevailing Wage	\$138,412		\$138,412
Records	\$13,606	\$5,520	\$19,126
Construction & Environmental Svcs.	\$86,269	\$50,000	\$136,269
Mitas Hosting	\$113,735	\$58,290	\$172,025
Property Management	\$81,574	\$524,738	\$606,312
Relocation Services	\$2,188		\$2,188
Total	\$435,784	\$638,548	\$1,074,332
Average Monthly Billing			\$89,528

Portland Development Commission
Available Cash Balances in Enterprise Loans Fund

Sub-Fund	Cash Balance as of June 30, 2010	Average Cash Balance FY 2010
Fund 410 - N/NE Business Assistance Fund	\$329,126	\$475,538
Fund 463 - Business Assistance Loan Fund	\$305,136	\$372,508
Total	\$634,262	\$848,045