

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 22, 2011

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT: Report Number 11-48
Authorize Short-Term Interfund Operating Loans Not to Exceed \$1,000,000 from Specified Funds to Community Development Block Grant-Economic Opportunity Initiative Fund From July 1, 2011, to June 30, 2012.

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6888

ACTION SUMMARY

This action will authorize, through June 30, 2012, 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 Grant Offset Fund, Fund 108, the N/NE Business Assistance Fund, Fund 410, and the Business Assistance 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 the anticipated Subrecipient Agreement with the City of Portland by and through the Portland Housing Bureau (“PHB”) and the Office of Management and Finance (“OMF”), pursuant to which PDC implements the Economic Opportunity Initiative, and reimbursement thereof by PHB and OMF under the Subrecipient Agreement. This action is renewed on an annual basis.

PUBLIC BENEFIT

Compliance with ORS 294.460 of Oregon Local Budget Law, 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

Not applicable.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Adoption of this resolution is necessary to comply with ORS 294.460 of Oregon Local Budget Law 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 ORS 294.460 of Oregon Local Budget Law. 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. Failure to act 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 213 – CDBG EOI Fund

Negative balances in any fund represent de facto interfund borrowings that must be authorized by the Board of Commissioners (Board). 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 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 always be a negative cash balance in the recipient fund at month end representing that month’s expenditures plus any unreimbursed prior month expenditures. Pursuant to a Subrecipient Agreement between the city of Portland and PDC, PDC administers for the City and the Office of Management and Finance the Economic Opportunity Initiative. This agreement is in the process of being renewed. 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 in aggregate from the funds listed below:

- Grant Offset Fund, Fund 108
- N/NE Business Assistance Fund, Fund 410
- Business Assistance Loan Fund, Fund 463

Interfund loans will be made to the CDBG - Economic Opportunity Initiative Fund, Fund 213, to bridge the time between expenditure of funds to provide services under the anticipated Subrecipient Agreement referenced above and the date PDC is reimbursed for those services by PHB and OMF. A review of the attachment illustrates the average borrowing requirements based on outstanding receivables over the past twelve months.

ATTACHMENTS:

- A. Summary of Outstanding Interfund Loans

**Portland Development Commission
 Summary of Outstanding Interfund Loans**

Borrowing Period	Housing & Community Development Fund	Lead Hazard Abatement Fund	HOME Grant Fund	Other Federal Grants - BRAC	CDBG - EOI Fund	HOPWA Grant	CDBG-R	Borrowed from Enterprise Loans Fund
	210	211	220	256	213	218	219	Total
May-10	55,000	145,000	-	-	335,000	1,000	15,000	551,000
Jun-10	395,000	125,000	4,000	-	545,000	-	156,000	1,225,000
Jul-10	-	-	-	-	433,000	-	-	433,000
Aug-10	-	-	-	-	-	-	-	-
Sep-10	-	-	-	-	331,000	-	-	331,000
Oct-10	-	-	-	-	455,000	-	-	455,000
Nov-10 **	-	-	-	-	460,000	-	-	460,000
Dec-10	-	-	-	-	440,000	-	-	440,000
Jan-11 **	-	-	-	-	450,000	-	-	450,000
Feb-11 **	-	-	-	-	426,000	-	-	426,000
Mar-11	-	-	-	-	250,000	-	-	250,000
Apr-11	-	-	-	-	475,000	-	-	475,000
Average Borrowing <small>(last 12 months)</small>	\$ 37,500	\$ 22,500	\$ 333	\$ -	\$ 383,333	\$ 83	\$ 14,250	\$ 458,000

** Note that while \$1,000,000 is the maximum borrowing allowed by Resolution 6712, actual borrowing for the month of November, January, and February is less than the amount required to cover actual cash shortages due to individual fund restrictions, resulting in a negative cash balance and unauthorized borrowing.