



PROSPER
PORTLAND
Building an Equitable Economy

DATE: June 10, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-24

Authorizing Short-Term Interfund Operating Loans for the Period of July 1, 2020 to June 30, 2021 in a Total Amount Not to Exceed \$1,900,000 from the Business Management Fund to the Following Funds: the Community Development Block Grant/Economic Opportunity Initiative Fund; the Neighborhood Prosperity Initiative Tax Increment Financing Fund; and the Community Opportunities and Enhancements Program Fund

BRIEF DESCRIPTION OF INFORMATION ITEM

Adopt Resolution No. 7374

This action by the Prosper Portland Board of Commissioners (Board) will authorize through June 30, 2021, short-term interfund operating loans (Interfund Loans) pursuant to the provisions of Oregon Revised Statutes (ORS) 294.468, which states that:

“(1) 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. . . .

(2) The resolution or ordinance authorizing any interfund loan permitted under this section shall: (a) State the fund from which the loan is to be made, the fund to which the loan is to be made, the purpose for which the loan is to be made and the principal amount of the loan.”

The Interfund 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 Office of Management and Finance (OMF) and the date Prosper Portland is reimbursed for those services by PHB, for the Economic Opportunity Initiative (EOI) Fund, and OMF and the Office of Equity and Human Rights (OEHR) for Community Opportunities and Enhancements Program (COEP) Fund. An interfund loan is needed for the Neighborhood Prosperity Initiative (NPI) TIF District Fund from the beginning of the fiscal year and the receipt of tax increment financing (TIF) du jour proceeds.

This action will authorize Interfund Loans, not to exceed \$1,900,000 in aggregate, from Business Management fund (520), to: the Community Development Block Grant (CDBG) – EOI (Fund 213) in an amount not to exceed \$1,500,000; the COEP (Fund 220) in an amount not to exceed \$300,000; and an amount not to exceed \$100,000 for any one or combination of the following NPI funds: the 42nd Avenue NPI TIF District (Subfund 310); the Cully Boulevard NPI TIF District (Subfund 311); the Parkrose NPI TIF District (Subfund 312); the Rosewood NPI TIF District (Subfund 313); the Division-Midway NPI TIF District (Subfund 314); and the 82nd Avenue & Division NPI TIF District (Subfund 315).

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The action will meet Prosper Portland’s Strategic Plan objective of safeguarding public resources and assets through strong internal controls, reliable and transparent financial information, and compliance with necessary policies and procedures.

BACKGROUND AND CONTEXT

Negative balances in any fund represent de facto interfund borrowing that must be authorized by the Prosper Portland Board. Resolution No. 7374 is in compliance with direction given by Prosper Portland’s independent financial auditor, Moss Adams, who 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 inter-fund borrowing timely enough to approve the loan via resolution in advance.”

This authorization allows Prosper Portland staff to shift cash as needed, up to \$1,900,000 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 Prosper Portland, PHB, and the OMF, Prosper Portland will continue operating the EOI on behalf of the City of Portland (City) and PHB during fiscal year (FY) 2020-21. It is anticipated that the delay in reimbursement under those agreements would result in negative cash balances in Fund 213 absent interfund borrowing. Borrowing requirement based on outstanding receivables in this fund is \$114,000 to \$1,500,000 per month.

Funding in the NPI TIF district funds will not be available until TIF du jour proceeds are received. They are anticipated to be received no earlier than March 2021. The absence of these funds could result in a delay in current project activities within those funds or result in negative cash balances in those funds. The NPI TIF funds have experienced negative cash balances in past fiscal years due to the delay in the tax increment funding so an interfund loan of up to \$100,000 is authorized if the need arises.

Under the terms of anticipated agreements between Prosper Portland the OMF, Prosper Portland will operate the COEP pilot project on behalf of the City during fiscal year (FY) 2020-21. It is anticipated that the delay in reimbursement under those agreements would result in negative cash balances in Fund 220 absent interfund borrowing. Borrowing requirements for COEP are estimated to be no more than \$300,000.

Accordingly, in order to ensure that adequate cash balances are maintained on a monthly basis for audit purposes and to comply with State of Oregon law and governmental accounting requirements, Prosper Portland staff requests the Prosper Portland Board’s authorization of Interfund Loans.

EQUITY IMPACT

This action ensures that Prosper Portland has sufficient resources to make timely investments in the EOI and NPI programs, which deliver critical services to neighborhood-based and culturally specific organizations.

COMMUNITY PARTICIPATION AND FEEDBACK

While there was no direct community participation on this authorizing action it will enable Prosper Portland to operate the programs authorized in the FY 2020-21 budget.

BUDGET AND FINANCIAL INFORMATION

There is no budget requirement for this action except for the Interfund Loans set forth herein, which meet the requirement to continue to operate the identified programs throughout FY 2020-21 and not allow unauthorized borrowing.

RISK ASSESSMENT

In the absence of these proposed Interfund Loans, the programs would either cease operations until funds have been received or operate in a deficit position without board approval, which would conflict with state legal and governmental accounting rules.

ATTACHMENTS

None.