



DATE: June 21, 2023
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 23-15
Approving Interfund Loans for Fiscal Years 2022-23 and 2023-24

BRIEF DESCRIPTION OF INFORMATION ITEM

Adopt Resolution Nos. 7487 and 7488.

These actions by the Prosper Portland Board of Commissioners (Board) will authorize 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 City of Portland (City) Housing Bureau (PHB), the Office of Management and Finance (OMF), the U.S. Economic Development Agency (EDA), and the U.S Department of Agriculture (USDA) and the date Prosper Portland is reimbursed for those services. PHB reimburses Prosper Portland’s expenditures for the Economic Opportunity Initiative (EOI), OMF for American Rescue Plan Act and the Community Opportunities and Enhancements Program (COEP), the EDA for the Special Award, and the USDA for the Other Federal Grants. An Interfund Loan is needed for the Neighborhood Prosperity Network (NPN) tax increment financing (TIF) Fund and Cully TIF Fund from the beginning of the fiscal year (FY) and the receipt of TIF du jour proceeds.

This action will authorize Interfund Loans, not to exceed \$4,900,000 from Business Management (fund 520), to:

- EDA Special Award (fund 251) in an amount not to exceed \$200,000 in FY 2022-23
- NPN TIF Fund: 82nd Avenue & Division (subfund 315) in an amount not to exceed \$100,000 in FY 2022-23
- American Rescue Plan Act (fund 235) in an amount not to exceed \$2,000,000 in FY 2022-23 and FY 2023-24
- Community Development Block Grant (CDBG) – EOI (fund 213) in an amount not to exceed \$1,500,000 in FY 2022-23 and FY 2023-24
- COEP (fund 220) in an amount not to exceed \$1,000,000 in FY 2022-23 and FY 2023-24

- Other Federal Funds (fund 255) in an amount not to exceed \$100,000 in FY 2022-23 and FY 2023-24
- Cully TIF Fund (fund 335) in an amount not to exceed \$300,000 in FY 2023-24

STRATEGIC ALIGNMENT AND OUTCOMES

The action will meet Prosper Portland's strategic 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.

This authorization allows Prosper Portland staff to shift cash as needed, up to \$4,900,000 in aggregate, from the Business Management Fund 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.

Federal funds from the American Rescue Plan Act will be provided on a reimbursement basis creating a cash deficit and requiring an interfund loan to cover the deficit while awaiting reimbursement of the federal funds. The amount estimated to be needed to cover the American Rescue Plan Act (Fund 235) is \$2,000,000.

Under the terms of anticipated agreements between Prosper Portland and PHB, Prosper Portland will continue operating the EOI on behalf of the City and PHB during FY 2023-24. It is anticipated that the delay in reimbursement under those agreements would result in negative cash balances in Fund 213 absent interfund borrowing. Borrowing requirements based on outstanding receivable history in this fund are estimated to be no more than \$1,500,000 per month.

Under the terms of anticipated agreements between Prosper Portland and OMF, Prosper Portland will continue to operate COEP on behalf of the City during FY 2023-24. 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 \$1,000,000.

Funding in the Cully TIF fund will not be available until TIF du jour proceeds are received. They are anticipated to be received no earlier than March 2024. The absence of these funds could result in a delay in current project activities within this district or result in a negative cash balance in this fund. The Cully TIF fund is new in FY 2023-24 and is projected to receive a total of \$537,000 in TIF proceeds in FY 2023-24 and is estimated to borrow up to \$300,000 per month.

The EDA offered and Prosper Portland accepted additional revolving loan funds to expand Prosper Portland's existing EDA lending programs in FY 2021-22. These funds must be drawn down as loans are authorized to borrowers which may create a negative cash balance if funds are disbursed as authorized and the federal funds have not yet been remitted. To cover this eventuality authorization of \$200,000 for the EDA Special Award (Fund 251) is the requested through June 30, 2023.

Funding in the NPN TIF district fund will not be available until TIF du jour proceeds are received. They are anticipated to be received no earlier than March 2023. 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 TIF funding so an interfund loan of up to \$100,000 is authorized if the need arises through June 30, 2023.

The USDA Regional Food System grant is wrapping up in September 2023. This is a reimbursable grant and it is estimated that the fund will need an interfund loan of up to \$100,000.

Accordingly, 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, COEP, TIF programs, and other economic development programs, which deliver critical services to neighborhood-based and culturally specific organizations.

COMMUNITY PARTICIPATION AND FEEDBACK

While there was no direct community participation related to this action, it will enable Prosper Portland to fund and operate programs authorized in the FY 2022-23 and FY 2023-24 budgets, whose development was informed by and subject to public feedback.

BUDGET AND FINANCIAL INFORMATION

This action does not adversely affect Prosper Portland's budget, but rather reallocates funds to keep in compliance with State budget law.

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 Prosper Portland Board approval, which would conflict with state legal and governmental accounting rules.

ATTACHMENTS

None.