

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: May 11, 2011
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 11-32
Amend Authorized Short-Term Interfund Operating Loans to Meet Cash Flow Needs

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6867

ACTION SUMMARY

This action will authorize additional resources for Interfund loans as authorized by Resolution 6820 adopted by the Board on September 24, 2010 to meet cash flow needs through June 30, 2011, of certain recipient funds identified therein. The limit of \$1,000,000 in aggregate Interfund loans outstanding at any one time remains as previously specified in Resolution 6820. Interfund loans are permitted under 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 the inclusion of Fund 108 – Grant Offset Fund, to the extent of available cash, with the previously identified Enterprise Loans Funds from which interfund operating loans may be made. 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

Not Applicable

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Taking this action 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". Resolution No. 6820

adopted on September 24, 2010, authorized staff to shift cash as needed, up to \$1,000,000 in aggregate, from the Fund 410, N/NE Business Assistance Fund and Fund 463-Business Assistance Loan Fund to the recipient funds. This Resolution would authorize Fund 108-Grant Offset Fund as an additional resource. 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, adopted 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, 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 requested 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. As available cash balances in the specified sub-funds of the Enterprise Loans Fund are no longer sufficient to cover the needs of the recipient funds, Fund 108 – Grant Offset Fund, a sub-fund of the General Fund is being added to the funds from which Interfund operating loans may be made.