

Agenda No. 454

ORDINANCE NO.

*Authorize temporary operating loans between various funds to provide interim funding to cover lags in federal, state, and other grant reimbursements and other negative cash and fund balances (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The grants funds, including the Grants Fund, the Community Development Block Grant Fund, and the HOME Fund, are reimbursement funds such that all expenses in the fund are expected to be reimbursed by entities outside of the City of Portland (the "City").
2. The City accounts for grant reimbursement on a modified accrual basis, per the requirements of Generally Accepted Accounting Principles ("GAAP").
3. Under the modified accrual basis of accounting, expenses are incurred at the time services are delivered or goods are provided and revenues are recognized when reimbursement is received.
4. The lag between expenses and revenues in the grants funds and other funds can result in temporary negative fund balance.
5. The reimbursement nature of the grants funds results in the funds frequently carrying negative cash balances.
6. Oregon State Local Budget Law requires that fund balances not be negative at the end of a fiscal year.
7. GAAP requires that governmental funds not end the year with negative cash assets.

Introduced by

Mayor Ted Wheeler

Bureau

Management and Finance
Treasury

Prepared by

Brigid O'Callaghan

Date Prepared

June 4, 2021

Requested Council Date

June 16, 2021

Requested Agenda Type

Time Certain 9:45 AM
30 minutes 2 of 2

Date Filed with Clerk

June 8, 2021

8. Interfund loans to the grants funds, and occasionally interfund loans to other funds, are necessary to comply with Local Budget Law and GAAP, and such loans must be approved by City Council.

NOW, THEREFORE, the Council directs:

- a. A temporary, interest-free operating loan is hereby authorized immediately from the Transportation Operating Fund to the Grants Fund in the not-to-exceed amount of \$25,000,000 in accordance with City financial policy FIN 2.18, with terms as shown in Exhibit A including a repayment of principal due by June 30, 2022.
- b. A temporary, interest-free operating loan is hereby authorized immediately from the General Fund Reserve to the Grants Fund in the not-to-exceed amount of \$5,000,000 in accordance with City financial policy FIN 2.18, with terms as shown in Exhibit A including a repayment of principal due by June 30, 2022.
- c. The primary source of repayment of the loan to the Grants Fund is earned and deferred revenues for reimbursement of eligible grant expenses in FY 2020-21.

Section 2. The Council declares an emergency exists in order to avoid negative cash balances in the grants funds at year-end, which would violate State budget law and GAAP. Therefore this ordinance shall be in full force and effect from and after its passage by the Council.

Passed by Council:

MARY HULL CABALLERO

Auditor of the City of Portland

Action Taken:

By

Deputy

Commissioners voted as follows (Yea or Nay)

Rubio -

Ryan -

Hardesty -

Mapps -

Wheeler -

EXHIBIT A
FIN 2.18.01 Interfund Loan Term Sheet

Borrower	Grants Fund – Fund No. 217000	
Lender	Transportation Operating Fund – Fund No. 200000	
Purpose	For compliance with Oregon State Local Budget Law, this will provide a temporary operating loan to provide interim funding to cover lags in federal, state and other grant reimbursements and other negative cash and fund balances.	
Principal Amount	Not to exceed \$25,000,000	
Interest Rate Basis	Not applicable – the loan will not accrue interest.	
Interest Payments Frequency	Not applicable	
Maturity Date	June 30, 2022	
Repayment Schedule - Principal	Expected Prepayment Date	Amount
	July 1, 2021	\$25,000,000
Repayment Source	Revenues from federal, state and other grant reimbursements.	
Prepayment	The loan is prepayable at any time.	

Borrowing Fund

By: Michelle Kirby Digitally signed by Michelle Kirby
Date: 2021.06.03 10:16:23 -07'00'
 Michelle Kirby
 Bureau of Revenue and Financial Services
 Bureau Director

June 3, 2021
 Date

Lending Fund

By: Christopher Warner Digitally signed by Christopher Warner
Date: 2021.06.03 09:13:31 -07'00'
 Chris Warner
 Portland Bureau of Transportation
 Bureau Director

June 3, 2021
 Date

Acknowledged and prepared by:

By: Brigid O'Callaghan Digitally signed by Brigid O'Callaghan
Date: 2021.06.03 11:45:24 -07'00'
 Brigid O'Callaghan
 City Treasurer

June 3, 2021
 Date

Approved by Council:

Date: _____
 Ordinance No: _____

EXHIBIT B
FIN 2.18.01 Interfund Loan Term Sheet

Borrower	Grants Fund – Fund No. 217000	
Lender	General Reserve Fund – Fund No. 210000	
Purpose	For compliance with Oregon State Local Budget Law, this will provide a temporary operating loan to provide interim funding to cover lags in federal, state and other grant reimbursements and other negative cash and fund balances.	
Principal Amount	Not to exceed \$5,000,000	
Interest Rate Basis	Not applicable – the loan will not accrue interest.	
Interest Payments Frequency	Not applicable	
Maturity Date	June 30, 2022	
Repayment Schedule - Principal	Expected Prepayment Date	Amount
	July 1, 2021	\$5,000,000
Repayment Source	Revenues from federal, state and other grant reimbursements.	
Prepayment	The loan is prepayable at any time.	

Borrowing Fund

By: Michelle Kirby Digitally signed by Michelle Kirby
Date: 2021.06.03 17:42:44 -07'00'
 Michelle Kirby
 Bureau of Revenue and Financial Services
 Bureau Director

06/03/2021
 Date

Lending Fund

By: Jessica Kinard Digitally signed by Jessica Kinard
Date: 2021.06.03 11:18:05 -07'00'
 Jessica Kinard
 City Budget Office
 Bureau Director

06/03/2021
 Date

Acknowledged and prepared by:

By: Brigid O'Callaghan Digitally signed by Brigid O'Callaghan
Date: 2021.06.03 21:34:06 -07'00'
 Brigid O'Callaghan
 City Treasurer

06/03/2021
 Date

Approved by Council:

Date: _____
 Ordinance No: _____

IMPACT STATEMENT

Legislation title: *Authorize temporary operating loans between various funds to provide interim funding to cover lags in federal, state, and other grant reimbursements and other negative cash and fund balances (Ordinance)

Contact name: Brigid O’Callaghan

Contact phone: 503-823-3104 (Brigid)

Presenter name: Brigid O’Callaghan

Purpose of proposed legislation and background information:

This legislation authorizes temporary interfund loans from the Transportation Operating Fund and the General Fund Reserve to the Grants Fund. The loan from the Transportation Operating Fund will not exceed \$25,000,000 and the loan from the General Fund Reserve will not exceed \$5,000,000. The loans are expected to be repaid on July 1, 2021.

The grants funds, including the Grants Fund, HOME Fund, and Community Development Block Grant Fund, are reimbursement funds such that all expenses in each fund are expected to be reimbursed by entities outside of the City of Portland (the “City”). The City accounts for grant reimbursement on a modified accrual basis, per the requirements of Generally Accepted Accounting Principles (“GAAP”); under this modified accrual basis of accounting, expenses are incurred at the time services are delivered or goods are provided and revenues are recognized when reimbursement is received. This creates a lag between expenses and revenues. This lag can result in temporary negative fund balances in the grants funds. Oregon State Local Budget Law requires that fund balances not be negative at the end of a fiscal year. GAAP requires that governmental funds not end the year with negative cash assets. The reimbursement nature of the grants funds results in the funds frequently carrying negative cash balances. Interfund loans to the grants funds are necessary to comply with Local Budget Law and GAAP, and such loans must be approved by City Council.

Financial and budgetary impacts:

Because the amount of the loans will not be known until the year-end close process is well underway, the loan not-to-exceed amounts included in the ordinance are conservative (i.e. high). In the fall, during the year-end close process, once the necessary loan amounts and the responsible bureaus’ ability to pay are determined, the Accounting Division of the Bureau of Revenue and Financial Services will execute the necessary loan journal entries. While the ordinance authorizes loans totaling \$30.0 million, the expected actual loan amounts are projected to be considerably less because estimates are conservative. The repayment sources for the loans are the grant receivables and tax payments, which are considered to be very secure.

Community impacts and community involvement:

This is an administrative action to provide a temporary loan to the Grants Fund. No direct community impact or involvement is anticipated.

100% Renewable Goal:

Not applicable.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES: Please complete the information below.
 NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount