

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. (Resolution)

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Purpose of proposed legislation and background information:

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 in the grants funds can result in temporary negative fund balances. 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.

The Recreational Marijuana Tax fund is funded with remittances from the State of Oregon. The Recreational Marijuana Tax Fund has incurred minor administrative expenses in FY 2016-17 but may not receive its first remittance from the State of Oregon until after June 30, 2017. 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. Interfund loans to the Recreational Marijuana Tax Fund is 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 loan will not be known until the year-end close process is well underway, the loan not-to-exceed amounts included in the resolution 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, OMF-Accounting will execute the necessary loans. While the total loans authorized total \$9.76 million because of the conservative estimates, the expected actual loan amounts are projected to be considerably less. The repayment sources for the loans are the grant receivables and tax payments and are considered to be very secure.

Community impacts and community involvement:

This resolution is a purely ministerial item and does not have a community impact.

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