

## 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)

**Contact name:** Jessica Eden

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**Presenter name:** Claudio Campuzano

**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.

**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 \$13 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

662 & 663  
37367

Proposed Amendments to the FY 2017-18 Over-Expenditure  
Supplemental Budget & Loan Resolution

June 20, 2018

**Item 662-** Adopt the Supplemental Budget for the FY 2017-18 Over-Expenditure Process and make budget adjustments in various funds

Mayor Wheeler

Motion to make the following adjustments to the supplemental budget as proposed:

- Adjustment in the Bureau of Revenue and Financial Services (Fund 223) of \$175,000 to ensure the Arts Education & Access Fund is not over-expended in the external materials and services major object category. Funding is provided via transfer of existing appropriation from contingency to external materials and services. Update exhibits 1-4 as needed to reflect this change.
- Reduce external materials and services in the Mayor's Office General Fund appropriation by \$23,000, and set aside the resources in program carryover contingency to be reallocated during the Fall Supplemental Budget Process. The \$23,000 will be used to pay for two vacation payouts that are due in FY 2018-19. Update exhibits 1-4 as needed to reflect this change.
- Increase bureau expenses and revenues in the Bureau of Human Resources for Kaiser Payments in PPA Health Fund (707) by \$120,000. Update exhibits 1-4 as needed to reflect this change.

Commissioner Fritz

Motion to make the following adjustment to the supplemental budget as proposed:

- Increase bureau expenses in personnel services by \$75,000, internal materials and services by \$60,000, and external materials and services by \$65,000 in the Portland Parks & Recreation's Portland International Raceway Fund (604) to ensure that these categories are not over-expended by year end. Funding is

provided via a decrease in appropriation of fund contingency. Update exhibits 1-4 as needed to reflect this change.

**Item 663-** 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

Mayor Wheeler

Motion to make the following adjustment to the loan resolution as filed:

- Address a scrivener's error to change the repayment date from June 30, 2018 to June 30, 2019.