

## **FIN 2.18 Interfund Lending**

Binding City Policy

BCP-FIN-2.18

### **Policy**

Interfund lending is the loaning of money from any fund to any other fund within the City. Interfund lending benefits the City as it is more administratively efficient and cost effective than short-term bank loans or public borrowings.

The City shall allow interfund lending, as an alternative to bank loans or public debt issuance, when bureaus require funding and when sufficient legally available balances exist in other funds which can be lent without impacting the lending bureau's operations, including reserve and contingency requirements, and in compliance with the lending bureau's debt covenants.

The Treasury Division (Treasury) of the Bureau of Revenue and Financial Services (BRFS) shall coordinate the City's interfund lending.

### **Application**

- To request a loan, the Bureau Director of the borrowing bureau shall submit an interfund loan request to the City Treasurer. See FIN 2.18.01 Interfund Loan Request.

### **Loan Criteria**

- Loans shall be made in compliance with Oregon Revised Statutes, Local Budget Law, City Charter, City Code and City financial policies.
- Loan terms and amounts shall not negatively impact any City credit ratings.
- Loan terms and amounts shall attempt to accommodate borrower's needs and will be based on lender's funding availability. The City Treasurer shall determine, in conjunction with the City Budget Office (CBO) and the Bureau Director of the lending bureau, whether and where there are sufficient fund balances available to be lent.
- Loan terms shall be set by the City Treasurer, with input from the Debt Manager, in accordance with ORS 294.468.
- Loan requests that are denied shall be referred to the Debt Manager for consideration.

### **Repayment**

- Loans shall be repaid on time and may be prepaid in whole or in part on any date.
- The borrowing and lending bureaus shall budget loan repayments in the borrowing and lending bureaus' budgets, at a time and in a manner allowable per Local Budget Law.
- Borrowing bureaus shall enact programmatic reductions, as needed, to repay loans in accordance with the repayment terms identified in the authorizing ordinance.
- If the borrowing bureau is unable to repay a loan in accordance with the repayment terms identified in the authorizing ordinance, the City Treasurer and the CBO shall identify alternative funding sources to accommodate the liquidity needs of the lending bureau.

- Loans shall not be written off.

#### **Authorization**

- Interfund loans shall be approved by an ordinance of the City Council.
- The Council ordinance authorizing the interfund loan shall include:
  - the names of the borrowing and lending bureaus;
  - the fund from which the loan is made;
  - the fund to which the loan is made;
  - the purpose of the loan;
  - the principal amount of the loan;
  - the basis of the interest rate to be charged on the interfund loan;
  - the loan maturity date;
  - a schedule showing how the principal and interest is to be budgeted and repaid to the lending fund. The schedule shall reflect that interest payments will be based on actual rates and not the estimates shown; and
  - the expected source of loan repayment.
- Changes to any interfund loan terms shall be approved by an ordinance of the City Council.

#### **Documentation**

- Loan terms shall be acknowledged via an interfund loan term sheet, prepared by the City Treasurer and signed by the bureau directors of the lending and borrowing bureaus and by the City's Chief Financial Officer. Changes to any loan terms shall be acknowledged via an updated interfund loan sheet. See FIN 2.18.02 Interfund Loan Term Sheet.
- Loans shall be recorded in the City's central accounting system, with assistance from the Accounting Division of BRFS.
- Loans outstanding over fiscal year-end shall be disclosed in the City's Comprehensive Annual Financial Report.

#### **Responsibility**

The Treasury Division of the Bureau of Revenue and Financial Services shall coordinate the City's interfund lending program. Bureau directors shall be responsible for their timely development and submission of their bureaus' loan requests to the City Treasurer. Fund managers shall appropriately budget proceeds and repayment.

#### **History**

Resolution No. [#], adopted by City Council [date].

CFMP Procedure

**FIN 2.18.01 Interfund Loan Request**

To: City Treasurer

Date:

Borrower (Bureau/Fund):

Purpose:

Preferred Principal Amount:

Preferred Start Date:

Preferred Maturity Date:

Preferred Repayment Schedule:

Repayment Source:

**Borrowing Fund**

By: \_\_\_\_\_

[type in name]

[type in bureau/fund]

Bureau Director

37392

CFMP Procedure  
**FIN 2.18.01 Interfund Loan Term Sheet**

Borrower (Bureau/Fund):

Lender (Bureau/Fund):

Purpose:

Principal Amount:

Interest Rate Basis:

Maturity Date:

Repayment Schedule (principal):

Interest Payments (frequency and timing):

Repayment Source:

**This loan may be prepaid in whole or in part at any time.**

**If this Term Sheet reflects changes to a previously approved loan, please attach a copy of the original Interfund Loan Sheet.**

**Borrowing Fund**

By: \_\_\_\_\_  
[type in name]  
[type in bureau/fund]  
Bureau Director

\_\_\_\_\_  
Date

**Acknowledged by:** \_\_\_\_\_  
[type in name]  
Chief Financial Officer

\_\_\_\_\_  
Date

**Prepared by:** \_\_\_\_\_  
[type in name]  
City Treasurer

\_\_\_\_\_  
Date

**Lending Fund**

By: \_\_\_\_\_  
[type in name]  
[type in bureau/fund]  
Bureau Director

\_\_\_\_\_  
Date

**Approved by Council:** \_\_\_\_\_  
Date  
Ordinance No: \_\_\_\_\_