

Agenda No. 454

ORDINANCE NO. 190453

*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: June 16, 2021

MARY HULL CABALLERO

Auditor of the City of Portland

Action Taken:

By *Christina Thomas*

Deputy

Commissioners voted as follows (Yea or Nay)

Rubio -

Ryan - Yea

Hardesty - Yea

Mapps - Yea

Wheeler - Yea