

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)

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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