

**FINANCIAL IMPACT STATEMENT****For Council Action Items**

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Claudio Campuzano		2. Telephone No. (503) 823 6848	3. Bureau/Office/Dept. OMF-FPD
4a. To be filed (date) June 16, 2011	4b. Calendar (Check One) Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>		5. Date Submitted to FPD Budget Analyst: June 15, 2011

**1) Legislation Title:**

Authorize temporary operating loans between various funds to provide interim funding to cover lags in federal, state, and other grant reimbursements (Resolution)

**2) Purpose of the Proposed Legislation:**

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). The City accounts for grant reimbursement on a modified accrual basis, per the requirements of Generally Accepted Accounting Principles (GAAP). 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. The lag between expenses and revenues in the Grants Fund can result in temporary negative fund balance. 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 Fund are necessary to comply with Local Budget Law and GAAP and such loans must be approved by City Council.

**3) Revenue:**

Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If new revenue is generated please identify the source.

This ordinance will not generate additional revenue. However, it does affect the budgeted revenues for several funds.

**4) Expense:**

What are the costs to the City as a result of this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years) (If the action is related to a grant or contract please include the local contribution or match required)

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 very conservative (i.e. high). Additionally, the ability of the bureaus responsible for the negative balances (i.e. those with grants with open receivables) is unknown at this time, so, to be conservative, loans are authorized both from those bureau operating funds and from the General Fund. In the fall, during the year-end close process, once the necessary loan amounts and the responsible bureaus' ability to pay are determined, OMF will execute the necessary loans. While the loans authorized total \$33.7 million because of the conservative estimates and double budgeting, the expected actual loan amounts are projected to be less than \$13 million. The majority of this (~\$10 million) is for large transportation projects. The repayment sources for the loans are the grant receivables and are considered to be very secure.

**Staffing Requirements:**

5) Will any positions be created, eliminated or re-classified in the current year as a result of this legislation? (If new positions are created please include whether they will be part-time, full-time, limited term or permanent positions. If the position is limited term please indicate the end of the term.)

No.


6) Will positions be created or eliminated in future years as a result of this legislation?

No.

Complete the following section only if an amendment to the budget is proposed.

7) **Change in Appropriations** (If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Center Code column if new center needs to be created. Use additional space if needed.)

N/A See Exhibit 1.



APPROPRIATION UNIT HEAD (Typed name and signature)





**CITY OF PORTLAND**  
OFFICE OF MANAGEMENT AND FINANCE  
Sam Adams, Mayor  
Kenneth L. Rust, Chief Administrative Officer  
Richard F. Goward, Jr., Chief Financial Officer

Andrew Scott, Manager  
Financial Planning Division  
Financial Services  
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Portland, Oregon 97204-1912  
(503) 823-5707  
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36867

FOR MAYOR'S OFFICE  
USE ONLY

DATE: June 16, 2011

TO: Mayor Sam Adams

FROM: Rich Goward

A handwritten signature in blue ink, appearing to read "Rich Goward".

TITLE: Authorize temporary operating loans between various funds to provide interim funding to cover lags in federal, state, and other grant reimbursements (Resolution)

1. INTENDED THURSDAY FILING DATE: June 16, 2011
2. REQUESTED COUNCIL AGENDA DATE: June 22, 2011
3. CONTACT NAME & NUMBER: Claudio Campuzano
4. PLACE ON: ☐ CONSENT ☐ REGULAR ☐ TIME CERTAIN @ 10:10 (with Over-expenditure Ord)
5. BUDGET IMPACT STATEMENT ATTACHED: ☒ Y ☐ N ☐ N/A
6. (2) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY ATTACHED: ☐ Yes ☐ No ☒ N/A

## 7. BACKGROUND/ANALYSIS

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). 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 Fund are necessary to comply with Local Budget Law and GAAP and such loans must be approved by City Council.

## 8. FINANCIAL IMPACT

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 very conservative (i.e. high). Additionally, the ability of the bureaus responsible for the negative balances (i.e. those with grants with open receivables) is unknown at this time, so, to be conservative, loans are authorized both from those bureau operating funds and from the General

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*To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.*

Fund.

In the fall, during the year-end close process, once the necessary loan amounts and the responsible bureaus' ability to pay are determined, OMF will execute the necessary loans. While the loans authorized total \$33.7 million because of the conservative estimates and double budgeting, the expected actual loan amounts are projected to be less than \$13 million. The majority of this (~\$10 million) is for large transportation projects.

The repayment sources for the loans are the grant receivables and are considered to be very secure.

**9. RECOMMENDATION/ACTION REQUESTED**

The Bureau of Financial Services recommends the resolution as written.