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191780

Emergency Ordinance

***Authorize a temporary operating loan between the Solid Waste Management Fund and the Recreational Cannabis Tax Fund for not more than \$800,000 to provide interim funding for approved carry-over allocations and avoid negative fund balance at the end of FY 2023-24**

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. The Recreational Cannabis Tax ("RCT") Fund was created to budget and record activities funded with recreational cannabis tax revenues to support purposes identified in Section 6.07.145 of the City Code, including public safety, drug and alcohol treatment, support for neighborhood small businesses, and support communities disproportionately impacted by cannabis prohibition.
2. Since FY 2022-23, the recreational cannabis tax revenues have declined. The City has responded by making reductions to ongoing allocations as necessary, including by an additional 22% beginning in FY 2024-25 to balance the RCT Fund's five-year forecast. These planned reductions in ongoing allocations of RCT Fund revenues are expected to put the RCT Fund budget in a sustainable and balanced position over the coming five years.
3. The RCT Fund is projected to have a one-time funding gap in FY 2023-24 as a result of a combination of significant revenue declines and City Council's approval of a large one-time allocation related to prior year carryovers of unspent allocations. The resulting unfunded liability is projected to be approximately \$800,000, and additional funds are needed to ensure that the RCT Fund remains in balance at fiscal year-end.
4. Oregon Local Budget Law (ORS 294.468) requires that fund balances not be negative at the end of a fiscal year.
5. U.S. Generally Accepted Accounting Principles ("GAAP") requires that governmental funds not end the year with negative cash assets.
6. Per Oregon Local Budget Law, the City may loan money from one fund to another for operating purposes for up to one fiscal year.

Introduced by

[Mayor Ted Wheeler](#)

Bureau

[Management and Finance;](#)
[Revenue and Financial Services](#)

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Requested Agenda Type

Time Certain

Date and Time Information

Requested Council Date

June 13, 2024

Requested Start Time

3:00 pm

Time Requested

45 minutes (1 of 2)


7. The Solid Waste Management Fund has sufficient resources to lend monies to the RCT Fund temporarily until sufficient tax revenues are received to repay the loan. Loaned Solid Waste Management Fund revenues will be repaid with interest by no later than June 30, 2025, the maturity date of the loan.
8. If a loan from the Solid Waste Management Fund to the RCT Fund is approved by the City Council, resources and expenditures relating to the loan will be included in the Over Expenditure Ordinance for the City's FY 2023-24 budget.

NOW, THEREFORE, the Council directs:

- A. The City hereby authorizes a temporary interfund loan in an aggregate principal amount of not more than \$800,000 from the Solid Waste Management Fund to the Recreational Cannabis Tax Fund in accordance with City financial policy FIN 2.18 and the terms shown in Exhibit A.

Section 2. The Council declares that an emergency exists in order to avoid negative cash balances in the RCT Fund at the end of fiscal year 2023-24, which would violate State budget law and U.S. GAAP; therefore, this Ordinance shall be in full force and effect from and after its passage by the Council.

Documents and Exhibits

 [Exhibit A \(https://www.portland.gov/sites/default/files/council-documents/2024/interfund-loan-form-solid-waste-to-cannabis.pdf\)](https://www.portland.gov/sites/default/files/council-documents/2024/interfund-loan-form-solid-waste-to-cannabis.pdf) 279.76 KB

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
June 13, 2024

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

This legislation authorizes a temporary interfund loan from the Solid Waste Management Fund to the Recreational Cannabis Tax Fund. The loaned funds will not exceed \$800,000 and will be repaid with interest no later than June 30, 2025.

Since FY 2022-23, recreational cannabis tax revenues have declined. The City has responded by making reductions to ongoing allocations as necessary, including by an additional 22% beginning in FY 2024-25 to balance the RCT Fund's five-year forecast. These planned reductions in ongoing allocations of RCT Fund revenues are expected to put the RCT Fund budget in a sustainable and balanced position over the coming five years.

While reductions to ongoing allocations are expected to put the fund in balance over the five-year forecast, there remains a one-time funding gap in FY 2023-24 as a result of a combination of significant revenue declines and City Council's approval of a large one-time allocation related to prior year carryovers of unspent allocations. The resulting unfunded liability is projected to be approximately \$800,000, which is the amount funding needed to ensure that the RCT Fund remains in balance at the end of FY 2023-24.

Oregon State Local Budget Law requires that fund balances not be negative at the end of a fiscal year. U.S. Generally Accepted Accounting Principles ("GAAP") require that governmental funds not end the year with negative cash assets. An interfund loan can provide resources necessary to comply with Local Budget Law and GAAP. Per Oregon Local Budget Law, the City may loan money from one fund to another for operating purposes for up to one fiscal year.

The Solid Waste Management Fund has sufficient resources to lend \$800,000 to the RCT Fund temporarily until sufficient recreational cannabis tax revenues are received to repay the loan. Loaned funds from the Solid Waste Management Fund will be repaid with interest no later than June 30, 2025, the maturity date of the loan.

Financial and Budgetary Impacts

The RCT Fund will repay the Solid Waste Management Fund borrowed funds with interest no later than June 30, 2025. The interest rate will be equal to the City's Investment Portfolio monthly average yield, resulting in a neutral economic impact to the Solid Waste Management Fund. The loan may be prepaid in whole or in part at any time. Partial prepayments of the interfund loan, if any, will be applied first to accrued interest on unpaid principal and then to the outstanding principal balance.

If an interfund loan from the Solid Waste Management Fund to the RCT Fund is approved by the City Council, resources and expenditures relating to the loan will be included in the Over Expenditure Ordinance for the City's FY 2023-24 budget.

Community Impacts and Community Involvement

This is an administrative action to provide a temporary loan to the RCT Fund. No direct community impact or involvement is anticipated.

100% Renewable Goal

Not applicable.

Budget Office Financial Impact Analysis

While reductions to ongoing allocations in the RCT fund are expected to put the fund in balance over the five-year forecast, there remains a one-time funding gap in FY 2023-24 as a result of a combination of significant revenue declines and City Council's approval of a large one-time allocation related to

prior year carryovers of unspent allocations. The resulting unfunded liability is projected to be approximately \$800,000, which is the amount funding needed to ensure that the RCT Fund remains in balance at the end of FY 2023-24. CBO will continue to monitor RCT to ensure the loan is repaid and that future appropriations are managed to revenues.

Document History

Item 539 Time Certain in [June 12-13, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/6/12)
(<https://www.portland.gov/council/agenda/2024/6/12>)

City Council

Passed

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Carmen Rubio Yea

Commissioner Mingus Mapps Yea

Mayor Ted Wheeler Absent