

**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. (Resolution)

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**Purpose of proposed legislation and background information:**

The Grants Fund is a 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 funds are necessary to comply with Local Budget Law and GAAP, and such loans must be approved by City Council.

In addition to the Grant Fund loans which have become routine in recent years, this resolution also includes a loan from the General Reserve to the Bonded Debt Interest and Sinking Fund which collects ad valorem property tax receipts for the payment of debt service on unlimited tax general obligation bonds. The FY 2014-15 levy amount for debt service on the general obligation bonds relied on estimates of fund balance and prior year tax collections which were higher than amounts actually realized. Therefore, in order to maintain a non-negative fund balance an interfund loan is necessary. The primary source of repayment of the loan to the Bonded Debt Interest and Sinking Fund above is FY 2015-16 tax collections.

**Financial and budgetary impacts:**

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 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, OMF-Accounting will execute the necessary loans. While the loans authorized total \$4.95 million because of the conservative estimates, the expected actual loan amounts are projected to be considerably less. The repayment sources for the loans are the grant receivables and tax payments and are considered to be very secure.

**Community impacts and community involvement:**

This resolution is a purely ministerial item and does not have a community impact.

**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