



# Interfund Loan Status Update

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Finance Department

City Council  
July 28, 2015

# HISTORY

- City has used interfund loans (also called “Advances”) for decades as an efficient and cost-effective means to gain short-term project financing
- Loans were made from City funds with cash balances not immediately required for operational or capital purposes
- Interfund loans are routinely utilized by agencies throughout California
  - Specific accounting guidance exists to address how to account for interfund loans



# HISTORY

- These loans have always been repaid, with interest, at the City's pooled interest rate
  - Loaning fund is made whole – equivalent return as if the funds had remained in the cash pool
- All interfund loans made have been fully repaid, with interest, except for the 13 remaining outstanding loans
  - Recently confirmed as part of the Special Sewer audit completed by MGO



# OUTSTANDING INTERFUND LOANS

Loan Purpose	Borrower	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Olivewood Property Assembly	RDA	4,474,161	-	-	-	-	-	-
Municipal Auditorium Renovation	RDA	335,239	-	-	-	-	-	-
Property Acquisition: 3615- 3653 Main St.	RDA	4,200,044	-	-	-	-	-	-
Property Acquisition: 3225 Market St.	RDA	1,146,545	-	-	-	-	-	-
Property Acquisition - Reid Park	RDA	757,877	664,473	609,441	555,106	501,208	446,232	390,157
Riverside Golf Course	RDA	5,091,984	4,466,150	4,098,142	3,734,860	3,374,557	3,374,557	3,007,048
Wi-Fi Network Acquisition	General Fund	71,922	-	-	-	-	-	-
Utilities Plaza	General Fund.	3,574,685	3,279,369	2,988,559	2,700,859	2,414,876	2,123,174	1,836,253
Local Park Fees Fund Debt Obligation #1	Parks Fund	3,460,000	3,460,000	2,779,900	2,096,548	1,406,479	702,609	-
Local Park Fees Fund Debt Obligation #2	Parks Fund	3,402,000	2,725,525	2,047,408	1,364,238	672,522	-	-
Garages 1 & 2 Renovation	Parking Fund	334,455	217,636	99,900	-	-	-	-
Property Acquisition: 3836-3844 2nd St.	Housing Auth.	458,151	-	-	-	-	-	-
CNG Fueling Station	Garage Fund	1,352,794	1,019,704	685,000	346,987	-	-	-
<b>TOTAL</b>		<b>\$ 28,659,857</b>	<b>\$ 15,832,857</b>	<b>\$ 13,308,350</b>	<b>\$ 10,798,597</b>	<b>\$ 8,369,642</b>	<b>\$ 6,646,571</b>	<b>\$ 5,233,458</b>



# INTERFUND LOANS – DETAIL

- RDA Loans (6)
  - Currently Outstanding - \$16,005,850
  - Various purposes consistent with RDA guidelines
  - Challenged by State Dept. of Finance – recent victory in the courts
  - 4 due and payable – payment of these loans will begin with the next ROPS in January 2016; debt will be made current by December 2016
  - 2 with longer repayment terms – can't accelerate; 15 year amortization from ROPS payments



# INTERFUND LOANS – DETAIL

- General Fund Loans (2)
  - Wi-Fi Network – \$71,922
    - Final payment made on 7/1/2015
  - Utilities Plaza - \$3,574,685
    - Loan matures in 2027
    - Payments occurring routinely
    - Current rent sufficient to pay related debt service on the loan
    - Could be paid early if the property was sold



# INTERFUND LOANS – DETAIL

- Park Fee Fund Loans (2)
  - Debt Service Obligation #1 - \$3,460,000
  - Debt Service Obligation #2 - \$3,402,000
- Funds borrowed for the Park Fee Fund's debt service obligation for the 2008 Renaissance COPs - park fees insufficient to cover debt service
- Park fees continue to be inadequate; principal repayment deferred in recent years, paying interest only through 2014/15
- 2015/16 Budget begins to amortize Loan #2 and Loan #1 set to begin in 2016/17



# INTERFUND LOANS – DETAIL

- Park Fee Fund Loans (continued)
- General Fund Impact
  - The General Fund directly impacted by the shortfall in Park Fee revenues
  - Absorbing \$1.4 million of COP debt service to enable the Park fee Fund to pay down on the interfund loan in 2015/16
  - Projected to absorb \$2.1 million of COP debt service in 2016/17
- Loan #2 pays off in 2019/20 and Loan #1 the following year in 2020/21





# INTERFUND LOANS – DETAIL

- Parking Fund Loan
  - Currently outstanding - \$334,455
  - Funds borrowed to renovate Garage #1 and Garage #2
  - Three remaining payments; loan amortizing routinely with funds from the parking operation



# INTERFUND LOANS – DETAIL

- Housing Fund Loan
  - Currently outstanding - \$458,151
  - Funds borrowed to acquire property
  - Full amount due as a balloon payment on 7/1/2015; amount has been repaid
  - Interest accrued annually through the life of the loan



# INTERFUND LOANS – DETAIL

- Central Garage Fund Loan
  - Currently outstanding - \$1,352,794
  - Funds borrowed to construct the CNG fueling station near the Regional Water Quality Control Plant
  - Four remaining payments; loan amortizing routinely with revenues from the Central Garage operation



# RECOMMENDATION

That the City Council confirm the interfund loan repayment strategy as outlined in the report which staff will use over the next five years to pay off the majority of the currently outstanding balances of the inter-fund loans.