



Finance Committee

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS DATE: OCTOBER 12, 2016

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FINANCIAL REVIEW OF CITY INTER-FUND LOANS AND TRANSFERS -
DIRECT SUBMITTAL

ISSUE:

Consideration of a financial review of the City's inter-fund Loans and Transfer activity by and between various City Funds.

RECOMMENDATION:

That the Finance Committee receive, provide input on and recommend City Council approval of a review of City inter-fund Loans.

BACKGROUND:

The City has used Inter-fund loans for many years as a legal and effective cash management tool and financing method to bridge capital project funding gaps, a practice that is used by many governmental entities throughout the state of California.

There are several advantages to the use of inter-fund loans. The loans allow the borrowing fund to meet cash shortfalls, usually due to timing issues, while at the same time recovering interest payments for the benefit of the lending fund. Generally, inter-fund loans carry an interest rate equal to the City's pooled investment rate. This practice ensures that the lending fund does not suffer any economic penalty for making the loan and the interest rate is usually less than an external borrowing interest rate, thereby providing a savings for the borrowing fund. In addition, inter-fund loans avoid the costs of obtaining other financing, and provide a quicker turnaround time to process the loan and obtain funding.

Inter-fund loans are authorized by Riverside City Charter Section 1110, Cash Management, which provides that, **"Transfers and loans may be made by the City Council from one fund to another as may be required."**

As of June 30, 2016, the City has eight inter-fund loans outstanding between various funds. The total balance outstanding of \$20,028,717, as a result of scheduled payments, is down from a balance of \$28,659,857 from the preceding fiscal year. The last inter-fund loan the City authorized and issued occurred in September 2013.

	Loan Inception			Loan Maturity	Balance as of
Loan # and Purpose	Date	Receivable Fund	Payable Fund	Date	June 30, 2016
Loan 68 (Parking Garages)	10/1/2008	Workers' Comp	Parking	7/1/2018	\$ 216,623
Loan 71 (Main St Acq)	8/1/2009	Workers' Comp	Successory Agency	1/1/2017	4,239,823
Loan 82 (CNG Station)	9/1/2013	Workers' Comp	Central Garage	7/1/2019	1,015,607
Total Receivable Balance					\$ 5,472,053

The proceeds from these loans noted were used for the acquisition of various property, plant and equipment. The largest of these acquisitions was Main Street property located at 3615-3653 Main Street, followed by the CNG fueling station at Jurupa/Acorn Streets and Parking Garages 1&2 renovation.

Electric Fund

	Loan Inception			Loan Maturity	Balance as of
Loan # and Purpose	Date	Receivable Fund	Payable Fund	Date	June 30, 2016
Loan 75A (Reid Pk Acq)	3/1/2011	Electric	Successory Agency	7/1/2028	\$ 662,178
Loan 75B (Riv Golf Course)	3/1/2011	Electric	Successory Agency	7/1/2028	4,450,726
Total Receivable Balance					\$ 5,112,904

Sewer Fund

Loan # and Purpose	Loan Inception	Receivable Fund	Payable Fund	Loan Maturity	Balance as of
	Date			Date	June 30, 2016
Loan 79 (Local Park Fund Renaissance Debt Service)	7/1/2011	Sewer	Local Park Fund	7/1/2019	\$ 2,715,220
Loan 81 (Utilities Plaza Purchase)	3/30/2012	Sewer	Debt Service Fund	7/1/2027	3,268,541
Total Receivable Balance					\$ 5,983,761

The proceeds from this loan were used to fund the acquisition of the Utilities Plaza purchase and to cover Riverside Renaissance debt service associated with park and community center projects.

Central Garage Fund

The Central Garage fund currently has one receivable outstanding for inter-fund loans from the Local Park Fund in the amount of \$3,460,000. The loan matures over the next five years with annual payments of \$732,000.

Loan # and Purpose	Loan Inception		Loan Maturity		Balance as of June 30, 2016
	Date	Receivable Fund	Payable Fund	Date	
Loan 73 (Local Park Fund Renaissance Debt Service)	7/1/2010	Central Garage	Local Park Fund	7/1/2020	\$ 3,460,000
Total Receivable Balance					\$ 3,460,000

The proceeds from this loan were used to cover debt service on the Series 2008 Certificates of Participation associated with park and community center projects completed during the City's Riverside Renaissance period.

FISCAL IMPACT:

There is no direct fiscal impact associated with this report. It should be noted that as part of the budgetary process, the related debt service payments and information on the inter-fund loans are included in the Two-Year Budget.

Prepared by:	Edward Enriquez, Controller
Certified as to availability of funds:	Scott G. Miller, PhD., Chief Financial Officer /Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachment: Presentation