



Finance Committee Memorandum

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS DATE: MARCH 11, 2020

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FINANCIAL REVIEW OF CITY INTERFUND LOANS - DIRECT SUBMITTAL

ISSUE:

Receive, provide input on, and recommend that City Council approve a financial review of the City's Interfund Loans by and between various City Funds.

RECOMMENDATION:

That the Finance Committee receive, provide input on, and recommend that City Council approve a financial review of the City's Interfund Loan activity by and between various City Funds.

BACKGROUND:

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

There are several advantages to the use of interfund 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, interfund 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. In addition, the interest rate is usually less than an external borrowing interest rate, thereby providing a savings for the borrowing fund. Interfund loans also avoid the costs of obtaining other financing and provide a quicker turnaround time to process the loan and obtain funding.

Interfund 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.**"

DISCUSSION:

Currently, the City has four (4) interfund loans outstanding between various funds. The total balance outstanding of \$6,123,612, as a result of scheduled payments, is down from a balance

of \$13,091,355 from the preceding fiscal year. The last interfund loan the City authorized and issued occurred in September 2013.

Electric Fund

The Electric Fund has two (2) interfund loans outstanding from the Successor Agency of \$3,378,817. The loans mature over the next nine (9) years with annual payments of \$650,000 due each July 1.

The proceeds from these loans were used for the acquisition of Reid Park and the Riverside Golf Course. Additionally, these loans are included in the Successor Agency's Recognized Obligation Payment Schedule submitted to the California Department of Finance as an Enforceable Obligation.

Sewer Fund

The Sewer Fund currently has one (1) receivable outstanding for interfund loans from the General Debt Service Fund in the amount of \$2,076,285. The loan matures over the next eight (8) years with annual payments of \$340,000 due each July 1.

The proceeds from this loan were used to fund the acquisition of the Utilities Plaza purchase.

Central Garage Fund

The Central Garage fund currently has one (1) receivable outstanding for interfund loans from the Local Park Fund in the amount of \$668,510. The loan matures on July 1, 2020.

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 interfund loans are included in the Two-Year Budget.

Prepared by:	Edward Enriquez, Chief Financial Officer/City Treasurer
Certified as to availability of funds:	Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by:	Carlie Myers, Deputy City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachments:

1. Presentation
2. Interfund Loan Policy