INTERFUND LOAN STATUS UPDATE; INTERFUND LOAN POLICY

Finance Department

FINANCE COMMITTEE
May 14, 2025

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BACKGROUND

- The City has a long history of utilizing interfund loans as an efficient and cost-effective method of providing its departments with short-term project financing.
- These loans are made from City funds with available cash balances that are not immediately needed for operations or capital purposes.
- The use of an interfund loan program is a common practice among public agencies throughout California and is supported by accounting guidance to ensure proper reporting and compliance.
  - GASB 34 provides guidance on interfund activity including transfers and loans

BACKGROUND

Interfund loans have been historically repaid in full with interest, at the City's pooled interest rate, ensuring the lending fund receives a return equivalent to what it would have earned had the funds remained in the City's Investment Account cash pool.

INTERFUND LOAN BALANCES

Interfund loan balances as of April 1, 2025:

LOAN #	Loan Purpose	Borrower	Lender	City Council Approval Date	Loan Date	Original Loan Amount	Balance as of 4/1/2025
75a	Reid Park Acquisition	770 - Successor to RDA	510 - Electric	1/25/2011	3/1/2011	720,000	143,345
75b	Riverside Golf Course Acquisition	770 - Successor to RDA	510 - Electric	1/25/2011	3/1/2011	4,837,500	982,161
81	Utilities Plaza Purchase	390 - General Debt	550 - Sewer	3/11/2008	3/30/2012	4,469,221	517,868
83	Airport deferred maintenance, hanger door and roof repairs	530 - Airport	101 - GF	4/18/2024	7/1/2024	2,000,000	2,000,000
84	Parking Capital Outlay	570- Parking	101 - GF	4/18/2023	7/1/2024	2,000,000	2,000,000
85	Refuse Solid Waste Truck purchases	540 - Refuse	101 - GF	9/17/2024	9/17/2024	2,870,000	2,870,000
		Total				**16,896,721**	**8,513,374**

INTERFUND LOAN DETAILS

Balances as of April 1, 2025

- General Fund
  - Utilities Plaza $517,868
    - Loan to RDA approved by City Council on March 11, 2008
      - Lender: Sewer Fund
      - Transferred to General Fund in 2012 with dissolution of the RDA
    - Funds used to purchase the land & building
    - Loan matures in FY 2027

INTERFUND LOAN DETAILS

Balances as of April 1, 2025

- Redevelopment Loans
  - Riverside Golf Course $982,161
    - Loan approved by City Council on March 1, 2011
    - Lender: Electric Fund
    - Funds used for Golf Course purchase and redevelopment
    - Loan matures in FY 2028
  - Reid Park $143,345
    - Loan approved by City Council on March 1, 2011
    - Lender: Electric Fund
    - Funds used for Reid Park acquisition and redevelopment
    - Loan matures in FY 2029

INTERFUND LOAN DETAILS

Balances as of April 1, 2025:

- Enterprise Funds
  - Airport Loan $2 million
    - Loan approved by City Council on April 18, 2024
    - Lender: General Fund
    - Funds to be used for urgent CIP including but not limited to hanger door, roof replacements/repairs, and deferred maintenance.
    - Loan matures in FY 2037
  - Parking Loan $2 million
    - Loan approved by City Council on April 18, 2023
    - Lender: General Fund
    - Funds to be used for infrastructure upgrades
    - Loan matures in FY 2034

INTERFUND LOAN DETAILS

Balances as of April 1, 2025:

- Enterprise Funds (continued)
  - Refuse Loan $2.87 million
    - Loan approved by City Council on September 17, 2024
    - Lender: General Fund
    - Funds to be used for Refuse vehicle purchases
    - Loan Matures in FY 2028

INTERFUND LOAN POLICY UPDATE

- Replaced outdated language
- Strengthens internal controls
- Improves transparency and disclosure requirements
- Removes arbitrary thresholds and aligns lending with fund-level liquidity
- Adds guidance on revising loan terms
- Clarifies roles of the staff, CFO, City Manager, and Council regarding loan approval and adjustments

STRATEGIC PLAN ALIGNMENT

Strategic Priority 5 -High Performing Government

Goal 5.4 –Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

Cross-Cutting Threads

RECOMMENDATIONS

That the Finance Committee:

1. Receive an update on the City's outstanding interfund loans; and

2. Review and provide feedback on the revised interfund loan policy