



MONROE CITY COUNCIL

Agenda Bill No. 20-134

SUBJECT:	Resolution No. 014/2020 Authorizing an Interfund Loan between Fund 307 (borrower) and Fund 520 (lender)
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DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
08/25/2020	Finance	Becky Hasart	Becky Hasart	New Business #2

Discussion: 08/25/2020

Attachments: 1. Resolution No. 014/2020, a Resolution of the City Council of the City of Monroe Authorizing an Interfund Loan from Fund 520 Equipment and Fleet Management to Fund 307 Capital Improvements.

REQUESTED ACTION: Move to approve Resolution No. 014/2020, a Resolution of the City Council of the City of Monroe Authorizing an Interfund Loan from Fund 520 Equipment and Fleet Management to Fund 307 Capital Improvements.

POLICY CONSIDERATION

Per government accounting standards, individual funds of the City are considered standalone accounting entities. As such, each fund's cash balance should remain positive (municipalities cannot run in a deficit position).

Both accounting standards and the City of Monroe's Debt Policy allow for the use of Interfund Loans when the amount needed is temporary and short term through enactment of a resolution.

DESCRIPTION/BACKGROUND

The City of Monroe has secured grants totaling \$1,574,720 (net of granting agency fees) for improvements to the building leased by the Monroe Boys and Girls Club. These grants are on a reimbursement basis. There are no matching funds from the City for this project.

Capital projects accounting of this nature are done through Fund 307 Capital Improvements. This is the only project currently budgeted in this fund.

Because expenditures must be incurred before reimbursements can be made, Fund 307 has a need for interim financing to offset the timing differences between expenditure and reimbursement. Interfund loans may be used for this purpose as long as the lending fund has sufficient resources in excess of its current needs. It has been determined that Fund 520 Equipment and Fleet Management can provide temporary financing to Fund 307.

In order to execute an Interfund loan, the City Council must adopt a resolution that identifies why the borrowing fund needs the money, identifies that the lending fund has sufficient excess resources, identifies the interest rate associated with the loan, identifies the payment schedule for the loan, and identifies the end date of the loan. The attached Resolution identifies all these requirements.

The Interfund loan address cash flow issues only. There is no change to the budgets of either the borrowing or the lending fund.



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FISCAL IMPACTS

The Interfund Loan is for an amount up to but not to exceed \$1,000,000. The amount of the loan will be dependent each month on the difference between bills paid and reimbursements received. In order to draw on the loan, both the Finance Director and the City Administrator must review and approve the amount.

The interest rate is based on the net interest rate earned by the City's investments held in the Local Government Investment Pool (LGIP). July's net interest rate was 0.3106%. Interest is calculated and paid monthly by using the LGIP net interest rate times the amount outstanding as of the last working day of each month of the loan. For example, if the outstanding loan balance had been \$100,000 at the end of July, the interest payment would have been \$25.88.

Fund 307 started the year with a cash balance of \$21,173. This amount is available to make the interest payments.

The Interfund Loan can be paid early but must be paid no later than December 31, 2021.

TIME CONSTRAINTS

This item should be done as quickly as possible as work on the Boys and Girls Club capital project has begun.

ALTERNATIVES

None. This item is a housekeeping matter.

**CITY OF MONROE
RESOLUTION NO. 014/2020**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONROE, WASHINGTON, AUTHORIZING AN INTERFUND LOAN FROM FUND 520 EQUIPMENT AND FLEET MANAGEMENT TO FUND 307 CAPITAL IMPROVEMENTS.

WHEREAS the City of Monroe has secured grant funding to make improvements to its building on behalf of the Boys and Girls Club; and

WHEREAS expenditures associated with these improvements must be incurred prior to grant reimbursement; and

WHEREAS these expenditures and reimbursements are recorded in the City of Monroe's Fund 307 Capital Improvements; and

WHEREAS there is a need for interim financing to Fund 307 to offset the timing differences between expenditures and reimbursements; and

WHEREAS Fund 520 Equipment and Fleet Management has resources in excess of current needs for the duration of this Interfund Loan; and

WHEREAS the City of Monroe's Debt Service Policy as adopted by Resolution No. 018/2018 allows for the use of Interfund Loans for short term, temporary financing to assist with cash flow timing associated with grant funding;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MONROE, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. Fund 520 Equipment and Fleet Management (lending fund) shall hereby loan up to \$1,000,000 (one million dollars) to Fund 307 Capital Improvements (borrowing fund) to address cash flow timing differences between expenditures and reimbursements.

Section 2. The borrowing fund may borrow only what is needed for cash flow purposes up to a maximum of \$1,000,000 (one million dollars). The Finance Director, with review and approval by the City Administrator, shall determine the amount needed each month to address cash flow timing.

Section 3. Interest shall accrue and be paid by the borrowing fund to the lending fund on the last business day of each month based on the net interest earnings of the State's Local Government Investment Pool (LGIP) and the principal outstanding on said date. LGIP net interest for July 2020 was 0.3106%.

Section 4. This Interfund Loan may be paid in full at any time but shall be due in full no later than December 31, 2021.

ADOPTED by the City Council of the City of Monroe, at its regular meeting thereof, and APPROVED by the Mayor this 25th day of August, 2020.

Adopted: August 25, 2020
Effective: August 25, 2020

CITY OF MONROE, WASHINGTON:

(SEAL)

Geoffrey Thomas, Mayor

ATTEST:

APPROVED AS TO FORM:

Rabecca R. Hasart, Interim City Clerk

J. Zachary Lell, City Attorney