



# City of Chula Vista

## Legislation Details (With Text)

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<b>File #:</b>	14-0632	<b>Name:</b>	Interfund Loan Policy
<b>Type:</b>	Consent Item	<b>Status:</b>	Passed
		<b>In control:</b>	City Council
<b>On agenda:</b>	2/17/2015	<b>Final action:</b>	2/17/2015
<b>Title:</b>	<p>A. RESOLUTION NO. 2015-028 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ADOPTING AN INTERFUND LOAN POLICY</p> <p>B. RESOLUTION NO. 2015-029 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AFFIRMING AND CONSOLIDATING EXISTING INTERFUND LOANS FROM THE TRUNK SEWER CAPITAL RESERVE FUND TO THE SALT CREEK TRUNK SEWER DEVELOPMENT IMPACT FEE FUND WITH A PRINCIPAL AMOUNT OF \$20,667,477 AND APPROVING A CONSOLIDATED INTERFUND LOAN REPAYMENT SCHEDULE REFLECTING FINANCING COSTS AND REPAYMENTS TO DATE</p> <p>C. RESOLUTION NO. 2015-030 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AFFIRMING AND CONSOLIDATING EXISTING INTERFUND LOANS FROM THE TRUNK SEWER CAPITAL RESERVE FUND TO THE STORM DRAIN REVENUE FUND WITH A PRINCIPAL AMOUNT OF \$576,023 AND APPROVING A CONSOLIDATED INTERFUND LOAN REPAYMENT SCHEDULE REFLECTING FINANCING COSTS AND REPAYMENTS TO DATE</p> <p>D. RESOLUTION NO. 2015-031 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AFFIRMING AND CONSOLIDATING EXISTING INTERFUND LOANS FROM THE SEWER FACILITIES REPLACEMENT FUND TO THE STORM DRAIN REVENUE FUND WITH A PRINCIPAL AMOUNT OF \$640,000 AND APPROVING A CONSOLIDATED INTERFUND LOAN REPAYMENT SCHEDULE REFLECTING FINANCING COSTS AND REPAYMENTS TO DATE</p> <p>E. RESOLUTION NO. 2015-032 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AFFIRMING THE EXISTING INTERFUND LOAN FROM THE GENERAL FUND TO THE CIVIC CENTER COMPONENT OF THE PUBLIC FACILITIES DEVELOPMENT IMPACT FEE FUND WITH A PRINCIPAL AMOUNT OF \$1,528,969 AND APPROVING AN INTERFUND LOAN REPAYMENT SCHEDULE REFLECTING FINANCING COSTS AND REPAYMENTS TO DATE</p> <p>F. RESOLUTION NO. 2015-033 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AFFIRMING AND CONSOLIDATING THE EXISTING INTERFUND LOANS FROM THE TRANSPORTATION DEVELOPMENT IMPACT FEE FUND TO THE FIRE SUPPRESSION SYSTEM EXPANSION COMPONENT OF THE PUBLIC FACILITIES DEVELOPMENT IMPACT FEE FUND WITH A PRINCIPAL AMOUNT OF \$10.5 MILLION AND APPROVING A CONSOLIDATED INTERFUND LOAN REPAYMENT SCHEDULE REFLECTING FINANCING COSTS AND REPAYMENTS TO DATE</p> <p>G. RESOLUTION NO. 2015-034 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AFFIRMING AND CONSOLIDATING THE EXISTING INTERFUND LOANS FROM THE EASTERN PARKLAND ACQUISITION AND DEVELOPMENT FEE FUND TO THE WESTERN PARKLAND ACQUISITION AND DEVELOPMENT FEE FUND WITH A PRINCIPAL AMOUNT OF \$9.94 MILLION AND APPROVING A CONSOLIDATED INTERFUND LOAN REPAYMENT SCHEDULE REFLECTING FINANCING COSTS AND REPAYMENTS TO DATE</p> <p>H. RESOLUTION NO. 2015-035 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2014-15 BUDGET TO REFLECT INTERFUND LOAN REPAYMENTS AND APPROPRIATING FUNDS THEREFOR (4/5 VOTE REQUIRED)</p>		

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**Sponsors:**

**Indexes:** 1. Operational Excellence, 2. Economic Vitality

**Code sections:**

**Attachments:** 1. Item 6 - Attachment 1, 2. Item 6 - Attachment 2, 3. Item 6 - Attachment 3, 4. Item 6 - Resolution A, 5. Item 6 - Resolution A Exhibit 1, 6. Item 6 - Resolution B, 7. Item 6 - Resolution B Exhibit 1, 8. Item 6 - Resolution C, 9. Item 6 - Resolution C Exhibit 1, 10. Item 6 - Resolution D, 11. Item 6 - Resolution D Exhibit 1, 12. Item 6 - Resolution E, 13. Item 6 - Resolution E Exhibit 1, 14. Item 6 - Resolution F, 15. Item 6 - Resolution F Exhibit 1, 16. Item 6 - Resolution G, 17. Item 6 - Resolution G Exhibit 1, 18. Item 6 - Resolution H

Date	Ver.	Action By	Action	Result
2/17/2015	1	City Council	approve	Pass

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### **RECOMMENDED ACTION**

Council adopt the resolutions.

### **SUMMARY**

In 2012 the City Council endorsed the City's Fiscal Recovery and Progress Plan report. Included in the report was a goal to review and update the City's Fiscal Policies. Adoption of the proposed resolution establishes a formal City Council approved interfund loan policy, which is a recommended best practice by the Government Finance Officers Association (GFOA). Confirmation of existing interfund loans and adoption of consolidated and revised repayment schedules bringing outstanding interfund loans into compliance with the proposed policy is also recommended. No new interfund loans are created by this action.

### **ENVIRONMENTAL REVIEW**

The Environmental Review Coordinator has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the proposed action is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the actions proposed are not subject to CEQA.

### **BOARD/COMMISSION RECOMMENDATION**

Not Applicable.

### **DISCUSSION**

The proposed resolutions establish an interfund loan policy, confirming and consolidating existing interfund loans and bringing the loans into compliance with the proposed policy. No new interfund loans are created by this action.

### Interfund Loan Policy

As the City continues its efforts toward a sustainable budget that minimizes impacts to City services

during economic downturns, it is appropriate that an interfund loan policy be established to provide guidance on the issuance and management of interfund loans. The Government Finance Officers Association (GFOA) recommends that state and local governments adopt a written interfund loan policy to provide transparency and ensure that there is a common understanding among elected officials and staff regarding the City's approach to interfund loans.

Establishing a carefully considered policy improves the quality of decisions, articulates policy goals, provides guidelines for the structure of interfund borrowings, and demonstrates a commitment to long-term capital and financial planning. The proposed policy is provided as Attachment 1.

The main objectives of the City's interfund loan policy are:

1. To establish a standard process for calculating financing costs for interfund loans; and
2. To establish standard documentation to be presented to the City Council, when considering approval of new interfund loans.

Approval of this resolution will establish a City Council adopted interfund loan policy, a recommended GFOA best practice. The approved policy will be reviewed periodically, and updated to include any necessary adjustments.

#### Updated Interfund Loan Repayment Schedules

Finance Department staff has reviewed existing interfund loans and recalculated the finance charges applicable through June 30, 2014, accounting for repayments and applying the City's actual historic pooled interest rate. The current review excludes activities of the Successor Agency to the Redevelopment Agency and the Housing Authority.

A summary of interfund loans, repayments, and financing costs through June 30, 2014 is provided in Table 1, below. Additional detail for each loan is provided in Attachment 2.

Table 1 - Interfund Activity through Fiscal Year 2013/14

Loan Date	Original Principal	Payments to Date	Interest Charges to Date	Balance Due	FY15 Payments Budgeted	Additional Appropriations	Total FY Payments
<b>From Trunk Sewer Capital Reserve (Fund 413) to Salt Creek Trunk Sewer (Fund 301)</b>							
07/01/1997	674,180	-	433,835	1,108,015			
12/29/2000	1,585,500	(2,500,083)	2,576,468	7,661,885			
12/04/2001	1,300,000	-	371,933	1,671,933			
08/13/2002	2,524,596	-	658,227	3,182,823			
06/30/2004	1,000,000	-	218,730	1,218,730			
08/17/2006	1,115,322	-	1,321,312	2,436,634			
08/17/2008	1,467,879	-	317,158	1,785,037			
	<b>20,667,477</b>	<b>(2,500,083)</b>	<b>5,897,662</b>	<b>24,065,057</b>	<b>250,000</b>	<b>3,250,000</b>	<b>5,500,000</b>
<b>From Trunk Sewer Capital Reserve (Fund 413) to Storm Drain Revenue (Fund 301)</b>							
06/09/1998	350,000	(500,000)	191,895	41,895			
07/16/1998	34,500	-	18,949	53,449			
11/24/1999	141,000	-	62,226	203,226			
01/18/2000	50,523	-	21,688	72,211			
	<b>576,023</b>	<b>(500,000)</b>	<b>294,759</b>	<b>370,782</b>	<b>370,782</b>	<b>-</b>	<b>370,782</b>

Loan Date	Original Principal	Payments to Date	Interest Charges to Date	Balance Due	FY15 Payable Budgeted	Additional Appropriations	Total FY Payments
<b>From Sewer Facilities Replacement (Fund 428) to Storm Drain Revenue (Fund 301)</b>							
12/29/2000	300,000	(105,825)	90,686	284,861			
12/04/2001	1340,000	(82,445)	84,076	341,631			
	<b>640,000</b>	<b>(188,270)</b>	<b>174,762</b>	<b>626,492</b>	<b>300,519</b>	<b>-</b>	<b>300,519</b>
<b>From General Fund (Fund 100) to Public Facilities Development Impact Fee (PFDIF) (Fund 571)</b>							
10/24/2008	1,528,969	(94,302)	51,345	1,486,012	-	-	-
	<b>1,528,969</b>	<b>(94,302)</b>	<b>51,345</b>	<b>1,486,012</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>From Transportation Development Impact Fee (TDIF) (Fund 591) to PFDIF Fire Suppression (Fund 571)</b>							
01/02/2009	200,000	-	153,142	5,353,142	709,896		
01/01/2016	16,300,000	(430,928)	89,873	4,958,945	430,928		
	<b>10,500,000</b>	<b>(430,928)</b>	<b>243,015</b>	<b>10,312,087</b>	<b>1,140,824</b>	<b>-</b>	<b>-</b>
<b>From TDIF (Fund 591) to Western TDIF (Fund 593)</b>							
12/06/2011	1180,000	(189,745)	3,301	(6,444)	-	(6,444)	(6,444)
	<b>180,000</b>	<b>(189,745)</b>	<b>3,301</b>	<b>(6,444)</b>	<b>-</b>	<b>(6,444)</b>	<b>(6,444)</b>
<b>From Eastern Parkland Acquisition &amp; Development (PAD) (Fund 715) to Western PAC (Fund 576)</b>							
07/01/2019	9,630,000	-	136,287	9,766,287			
12/06/2011	1310,000	-	2,340	312,340			
	<b>9,940,000</b>	<b>-</b>	<b>138,627</b>	<b>10,078,627</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>44,032,469</b>	<b>(83,903,328)</b>	<b>6,803,474</b>	<b>16,932,612</b>	<b>2,062,125</b>	<b>3,243,556</b>	<b>6,164,818</b>

<sup>1</sup>Payments to date, interest charges to date, and balance due are as of the end of fiscal year 2013-14, June 30, 2014.

<sup>2</sup>The fiscal year 2014-15 budget includes an appropriation of \$709,896 from the Administration component of the PFDIF (Fund 571). Resolution H corrects this appropriation to reflect repayment from the Fire Suppression Component (Fund 576). No net increase in the PFDIF appropriation is recommended.

Existing interfund loans have been created via a combination of standalone interfund loan resolutions, annual budget resolutions, and direct project expenditures. Previous direct project expenditures as interfund loans are limited to expenses by the Trunk Sewer Capital Reserve on behalf of the Salt Creek Trunk Sewer Development Impact Fee (DIF). During construction of the Salt Creek trunk sewer line, the Salt Creek Trunk Sewer DIF facility list was amended to include facility segments previously constructed via Trunk Sewer Capital Reserve funds. Subsequent Salt Creek Trunk Sewer DIF reports have acknowledged and documented the obligation of the Salt Creek Trunk Sewer DIF to repay the Trunk Sewer Capital Reserve fund for these direct project expenditures. Pursuant to the proposed interfund loan policy, all future interfund borrowings will be by approved standalone resolution, not via budget resolution or direct project expense.

Updated and consolidated repayment schedules have been prepared applying the most recent pooled interest rate calculation and are included as Attachment 3. A summary of the consolidated repayment schedules is provided in Table 2, below. Actual future interest charges will vary based upon actual investment returns and the availability of funds to repay the debt.

Table 2 - Summary of Interfund Loan Consolidated Repayment Schedules

		FY15							
From Fund	To Fund	Amount Now Due	Payable Budget	Additional Appropriation	Total FY Paymen	Remaining Obligations	Repayment Term	Future Interest <sup>1</sup>	
Trunk Sewer	Salt Creek DIF	2,065,057	250,000	3,250,000	500,000	20,565,057	20	505,41	
Trunk Sewer	Storm Drain	370,782	370,782	-	370,782	-	<1	408	
Sewer Facility	Storm Drain	626,492	300,519	-	300,519	325,973	3	2,35	
General Fund	PFDIF Civic Center	1,486,012	-	-	-	1,486,012	5	9,80	
TDIF	PFDIF Fire	10,312,087	140,824	-	-	10,312,087	10	123,14	
TDIF	Western TDIF	(6,444)	-	(6,444)	(6,444)	-			
Eastern PAD	Western PAD	10,078,627	-	-	-	10,078,627	20	234.71	
<b>Total</b>		<b>46,932,612</b>	<b>2062,125</b>	<b>3,243,556</b>	<b>6,164,854</b>	<b>42,767,755</b>		<b>875.84</b>	

<sup>1</sup> Future interest calculations are based upon most recent actual pooled investment earning rates. Actual rates will vary based on investment returns.

## DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that each of the decisions contemplated by this action is either: (i) not site specific; or (ii) is an implementation decision which will merely carry out a decision already made and will not independently create a conflict of interest. Consequently, this item does not present a conflict under the Political Reform Act (Cal. Gov't Code § 87100, et seq.). Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

## LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The adoption of a formal City interfund loan policy supports the Operational Excellence and Economic Vitality goals, as it is a critical element in strong financial management practices.

## CURRENT YEAR FISCAL IMPACT

No new interfund loans are created by this action.

Approval of Resolution A adopts an interfund loan policy and has no net fiscal impact.

Adoption of Resolutions B through G confirm previous interfund loans and adopt updated and consolidated interfund loan repayment schedules to ensure that interfund loans financing costs are fairly applied using the City's actual pooled investment earning rate.

Approval of Resolution H appropriates \$3.25 million from the available balance of the Salt Creek Trunk Sewer DIF fund to repay existing interfund loans from the Trunk Sewer Capital Reserve fund. Resolution H also appropriates \$6,444 from the available balance of the Transportation Development Impact Fee (TDIF) fund to repay the Western TDIF fund for excess prior year interest charges.

Lastly, Resolution H takes two actions recommended to improve accounting of the \$5.2 million interfund loan from the TDIF to the PFDIF program. Pursuant to § 3.50.110(B) of the Chula Vista Municipal Code, the PFDIF is considered a single fund for financial reporting purposes. However, for fee calculation and administration purposes, each component of the program is budgeted and accounted for in a separate sub-fund. The \$5.2 million loan, authorized by the City Council via Resolution No. 2008-300, did not identify the individual PFDIF component borrowing the funds. The

loan was recorded against the Administration component of the PFDIF, but is more appropriately recorded against the Fire Suppression System Expansion component, as the Fire Suppression component required additional funding to mitigate a negative fund balance.

Approval of Resolution H transfers \$140,388 from the Administration component of the PFDIF to the Fire Suppression component to reflect interest earnings on the \$5.2 million through June 30, 2014. Approval of Resolution H further amends the fiscal year 2014-15 budget to reflect a current year loan repayment in the amount of \$709,896 by the Fire Suppression component. This action replaces and eliminates a payment in the same amount previously appropriated from the Administration component.

### **ONGOING FISCAL IMPACT**

No new interfund loans are created by this action.

Approval of Resolution A adopts an interfund loan policy and has no net fiscal impact.

The fiscal impact of future interfund loans will be disclosed to the City Council at the time of consideration, consistent with the provisions of the proposed interfund loan policy. The policy supports increased transparency in approving interfund loans, while seeking to minimize capital project financing costs.

Adoption of Resolutions B through G confirm previous interfund loans and adopt updated and consolidated interfund loan repayment schedules to ensure that interfund loans financing costs are fairly applied using the City's actual pooled investment earning rate.

Approval of Resolution H amends the fiscal year 2014-15 budget and has no ongoing fiscal impact.

### **ATTACHMENTS**

1. Interfund Loan Policy
2. Interfund Loan Schedules: Activity through Fiscal Year 2013-14
3. Consolidated Interfund Loan Schedules: Fiscal Year 2014-15 Forward

*Staff Contact: Tiffany Allen, Treasury and Business Manager*