



City Hall  
601 4th Avenue E.  
Olympia, WA 98501  
360-753-8244

## City Council

### Approval of a Resolution Authorizing an Interfund Loan from the General Fund to the Housing and Urban Development (HUD) Fund

**Agenda Date:** 12/15/2015

**Agenda Item Number:** 4.F

**File Number:** 15-1220

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**Type:** resolution **Version:** 1 **Status:** Passed

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**Title**

Approval of a Resolution Authorizing an Interfund Loan from the General Fund to the Housing and Urban Development (HUD) Fund

**Recommended Action**

**Committee Recommendation:**

Not referred to a committee.

**City Manager Recommendation:**

Move to adopt a resolution authorizing an interest-free interfund loan not to exceed the amount of \$200,000 from the General Fund to the HUD Fund.

**Report**

**Issue:**

Determine whether or not to approve a resolution authorizing an interfund loan not to exceed the amount of \$200,000 from the General Fund to the HUD Fund.

**Staff Contact:**

Stacie Tellers, Senior Accountant, Administrative Services, 360.753.8599

Dean Walz, Fiscal Services Director, Administrative Services, 360.753.8465

**Presenter(s):**

None. Consent calendar item.

**Background and Analysis:**

The HUD Fund uses HUD-related program income, proceeds from the HUD Community Development Block Grant (CDBG), Section 108 loan proceeds, and other funds as appropriate or designated by the City Council for approved projects. These funds may be used for any legal purpose as authorized by the City Council, subject to the authorization from the Federal Department of HUD.

HUD requires the City to use program income on eligible project expenses prior to the receipt of CDBG funding. In addition, HUD requires the City to request Section 108 loan draws after payment of

eligible expenses.

The City spends program income first which can result in a timing issue for available cash in the HUD Fund related to the grant draws of CDBG money. The City has spent approximately \$210,000 on Section 108 loan projects and the available cash of Section 108 loan monies is insufficient to cover the eligible expenses. The proposed loan process allows the general fund to temporarily cover the expenses until the reimbursements occur.

The loan (not to exceed \$200,000) will be made from the General Fund, which by law may make no-interest interfund loans. The interfund loan will provide funding to the Section 108 loan projects until the monies have been reimbursed. The HUD Fund would repay the General Fund from the receipt of the Section 108 Loan proceeds.

**Neighborhood/Community Interests (if known):**

None. This is an administrative amendment.

**Options:**

1. Move to approve a resolution authorizing an interfund loan not to exceed \$200,000 from the General Fund to the HUD Fund, therefore addressing the cash flow issue in the Fund.
2. Do not approve the resolution authorizing an interfund loan. This could cause a cash flow deficit and possible audit comment.

**Financial Impact:**

This recommendation would authorize the Director of Administrative Services to provide a loan from the General Fund to the HUD Fund to avoid a negative cash balance and potential audit issues. The loan will be interest free, as allowed by law, and repaid upon receipt of the Section 108 Loan proceeds.