

PASSED

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO.  
04-4-28-16

IN THE MATTER OF AMENDING CHAPTER 4 OF  
THE LANE MANUAL TO ADD INTERFUND LOAN  
POLICIES (LM 4.035 through 4.040)

The Board of County Commissioners of Lane County orders as follows:

Lane Manual Chapter 4 is hereby amended by removing, substituting and adding the following sections:

**REMOVE THESE SECTIONS**

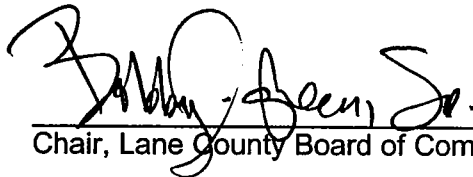
NONE

**INSERT THESE SECTIONS**

4.035 through 4.040  
as located on pages 4-3 through 4-5  
(a total of 3 pages)

Said sections are attached hereto and incorporated herein by reference. The purpose of these substitutions and additions is to add interfund loan policies (LM 4.035 through 4.040).

Adopted this 28th day of April 2004.

  
Chair, Lane County Board of Commissioners

APPROVED AS TO FORM

Date 4/15/04 Lane County

  
OFFICE OF LEGAL COUNSEL

(4) Other Lane County officials receiving money in their official capacity must deposit such funds with the Chief Fiscal Officer, or at the discretion of the Officer, in checking/negotiable order of withdrawal accounts.

(5) All investments shall be placed to ensure a competitive rate of return and be consistent with considerations of safety, liquidity and yield.

(6) The County Administrator is delegated the authority and responsibility to develop and maintain Administrative Procedures to implement these policies.

(7) LM 4.020 shall be adopted not less than annually by the Board of Commissioners. *(Revised by Order No. 94-6-28-7, Effective 6.28.94; 02-5-15-8, 5.15.02)*

## MANAGEMENT POLICIES INTERFUND LOAN POLICIES

### 4.035 Purpose.

The purpose of these policies is to outline the requirements and responsibilities of departments regarding the use of interfund loans as a short-term financing resource to address cashflow needs in County operations or capital financing plans.

### 4.040 Policies.

The following are the policies to be used by departments entering into interfund loan transactions:

(1) Interfund loans are a tool employed by the County to assist funds and programs experiencing short-term, transitory cash imbalances created in the conduct of activities approved by the Board of County Commissioners.

(2) Interfund loan requests must be reviewed and approved by the County's Finance and Audit Committee prior to taking a request for authorization to the Board of County Commissioners.

(3) Interfund loans must be authorized by an order of the Board of County Commissioners, which shall state the fund from which the loan is to be made, the fund to which the loan is to be made, the purpose for which the loan is made and the principal amount of the loan, along with a schedule for repayment of principal and interest, or a statement that interest is not applicable to the loan.

(4) Interfund loans must be made in compliance with all other statutory requirements and limitations of ORS 294.460. The provisions of ORS 294.460 are included in LM 4.040(5) and (6) below.

(5) Interfund loans are to be characterized as either "operating" or "capital" and shall meet the following additional requirements, consistent with their character:

(a) An "Operating Interfund Loan" is defined as a loan made for the purpose of paying operating expenses. An operating interfund loan:

(i) Shall be budgeted and repaid no later than the end of the fiscal year subsequent to the period in which the loan was made;

(ii) If not repaid in the same fiscal year in which it is made, the full repayment of the loan shall be appropriated as a budget requirement in the subsequent fiscal year; and

(iii) Is required to be assessed interest, unless otherwise stated in the adopting order.

(aa) If interest is assessed, the rate of interest will be equivalent to the actual earnings rate in the Lane County Investment Pool, unless otherwise stated in the adopting order.

(bb) If interest is assessed, such interest will be computed as simple interest on the outstanding balance from the date of the loan to the date of repayment or partial repayment, unless otherwise stated in the adopting order.

(b) A "Capital Interfund Loan" is defined as a loan made for the purpose of financing the design, acquisition, construction, installation, or improvement of real or personal property and not for the purpose of paying operating expenses. A capital interfund loan:

- (i) Shall not exceed 60 months in duration;
- (ii) Shall set forth in the adopting order a schedule under which the principal amount of the loan, together with interest thereon at the rate provided for pursuant to LM 4.040(5)(b)(iii) below, are to be budgeted and repaid to the lending fund;
- (iii) Shall be assessed interest at a rate that is equivalent to the actual earnings rate in the Lane County Investment Pool, unless otherwise stated in the adopting order; and
- (iv) Shall accrue interest computed as simple interest on the outstanding balance from the date of the loan to the date of repayment or partial repayment, unless otherwise stated in the adopting order.

(6) Loans shall not be made from the following funds or restricted resources:

- (a) From debt service reserve funds to the extent that the amount of the loan exceeds the amount required to be held in the reserve fund by covenant with the holders of the bonds or other obligations;
- (b) From debt service funds; nor
- (c) From monies restricted to specific uses under constitutional provisions, unless the purpose of the loan is an allowed use under constitutional provisions.

(7) In addition to the statutory requirements and limitations of ORS 294.460, listed in LM 4.040(5) and (6) above, the following additional policies and provisions shall apply to all County interfund loans:

(a) Interfund loans shall not be made from funds otherwise restricted by law, bond covenants, grantor requirements, Board order or ordinance for specific uses, unless the purpose of the loan is an allowed use under those restrictions or the restricting entity approves the loan transaction.

(b) Interfund loans are not to be used to fund on-going operating activities other than those approved by the Board of County Commissioners in a formal budget action.

(c) Interfund loans are not to be used to balance the on-going operating budget of the borrowing fund due to a shortage of spending authorization.

(d) Interfund loans will be granted only after it has been demonstrated that reasonable consideration was given to other potential resources available to the fund and when the loan is required to meet a pressing need or to take advantage of a special opportunity.

(e) Total interfund loans to an individual fund may not exceed the greater of

(i) 40% of available unrestricted fund balance of the borrowing fund, or

(ii) 20% of annual "total revenue" plus "other financing sources" of the borrowing fund,

both as determined in accordance with GASB 34.

(f) Interfund loans made to General Fund departments or programs shall not obligate unrestricted General Fund general revenue sources for future loan repayments beyond the current fiscal year.

(g) Interfund loans may be made only if there is a likely expectation that the fund receiving the loan will have the ability to repay it. In other cases, the use of an interfund transfer should be considered for appropriateness.

(h) Consideration shall be given to the adequacy of resources in the lending fund, and in no case shall an interfund loan be made when the consequence of that loan would be to deter or otherwise interfere with any function or project for which the fund was established.

(i) Interfund loans may be repaid in advance without any additional accrual of interest (if applicable) or any other penalties.

(8) No County fund shall carry a deficit cash balance for more than six months during any 12-month period without the written authorization of the County Administrator. Lacking that authorization, the fund managers shall be required to proceed with initiating an interfund loan authorization discussion with the Finance and Audit Committee and request to the Board of County Commissioners

(9) At no time shall a County fund carry a deficit fund balance at fiscal year end.

**ROAD FUND REAL PROPERTY ASSETS  
REAL PROPERTY ASSETS PURCHASED WITH STATE GAS TAX REVENUES  
PRIOR TO 1980**

**4.050 Purpose.**

The purpose of these provisions is to address the appropriate use of real property assets originally acquired with State Gas Tax Revenues prior to 1980. At that time, the Road Fund was comprised primarily of Gas Tax Revenues, governed by Oregon Constitution, Article IX, Section 3, which could be used generally only for roads, police and parks; and Federal Forest Receipts, governed by 16 USC Section 500, which could be used generally only for roads. Article IX, Section 3a was adopted by the voters on May 20, 1980, amending Section 3 by limiting the permissible use of Gas Tax Revenues to roads and highways, and deleting police and parks as permissible uses. The amendment was prospective only. It is presumed that the Federal Forest Receipts have been lawfully expended for roads; the appropriate use of these revenues has not changed and they are therefore not addressed by the policies below. The policies below are based on advice of counsel presented to the Board at the time of their adoption. *(Revised by Order No. 98-7-29-18; Effective 7.29.98)*

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**Bold** indicates material being added  
~~Strikethrough~~ indicates material being deleted  
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