



**CITY OF PACIFIC GROVE**  
300 Forest Avenue, Pacific Grove, California 93950

**AGENDA REPORT**

**TO:** Honorable Mayor and Members of the City Council

**FROM:** James L. Becklenberg, Acting Deputy City Manager

**MEETING DATE:** February 17, 2010

**SUBJECT:** ORDINANCE CLARIFYING AND CODIFYING EXISTING  
AUTHORITY TO IMPLEMENT SHORT-TERM INTERFUND  
LOANS

**CEQA:** This does not constitute a “project” under California Environmental  
Quality Act (CEQA) guidelines.

**RECOMMENDATION**

Introduce and hold the first reading of an Ordinance to clarify and codify existing authority to implement short-term interfund loans, and direct staff to publish a summary of the measure prior to its second reading.

**DISCUSSION**

Many cities experience temporary cash flow deficits, primarily due to uneven State revenue disbursements. While the City of Pacific Grove’s expenditures are relatively even, the City receives its largest revenue source, property tax, in two large payments received in November and April. This pattern routinely results in temporary cash shortages between property tax payments, which are then resolved once property tax revenues are received. In recent years, this temporary cash deficit has ranged between \$2.7 million and \$3.0 million.

For the current fiscal year, the City Council approved short-term interfund loans to cover the cash flow needs during the dry period. In all cases, we are repaying the loans on or ahead of schedule. Interfund loans have proven to be a cost-effective alternative to the Tax and Revenue Anticipation Notes (TRANS) the City had issued in previous years for the same financing purpose.

This spring, staff will prepare cash management options for the City Council’s consideration. Options will include: issuing TRANS, pending market conditions; interfund loans; and other financing options. The ordinance recommended for the City Council’s consideration is intended to clarify and codify existing authority to implement short-term interfund loans.

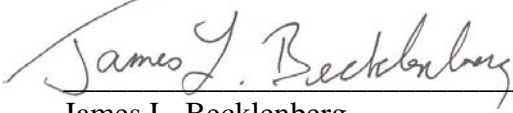
Specifically, the ordinance provides that unless otherwise restricted by law or City ordinance, all City revenues shall be available for short-term loans to support general City cash flow demands, provided that such revenues will not be required to meet other City obligations during the loan period. All such loans shall be subject to City Council approval and contain fixed terms for repayment and interest payable to the lending fund.


**FISCAL IMPACT**

None

**ATTACHMENTS:**  
ORDINANCE NO. 2010 - \_\_\_\_\_

RESPECTFULLY SUBMITTED:

  
\_\_\_\_\_  
James L. Becklenberg  
Acting Deputy City Manager

  
\_\_\_\_\_  
Thomas Frutchey  
City Manager

**ORDINANCE NO. 2010 - \_\_\_\_\_**

**ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE ADDING CHAPTER 6.18 TO THE PACIFIC GROVE MUNICIPAL CODE TO CLARIFY AND CODIFY EXISTING AUTHORITY TO IMPLEMENT SHORT-TERM INTERFUND LOANS**

**WHEREAS**, various City funds can experience routine, temporary cash flow disruptions from time to time due to the uneven timing of major revenues, such as Property Taxes and Transient Occupancy Taxes; and

**WHEREAS**, if unaddressed, these disruptions can jeopardize the City's ability to meet its financial obligations in the near term; and

**WHEREAS**, the City receives other revenues that are unrestricted by law but are intended to pay for specific obligations in the future; and

**WHEREAS**, these revenues would ordinarily be invested or held on hand as part of the City's treasury until they are needed for expenditure; and

**WHEREAS**, the City benefits from a broad range of short-term financing options, including interfund loans of legally unrestricted revenues; and

**WHEREAS**, the Government Accounting Standards Board (GASB) provides clear guidance on accounting for interfund loans; and

**WHEREAS**, this Ordinance is exempt from the California Environmental Quality Act (CEQA), Public Resources Code section 21000 et seq., as it can be seen with certainty that there is no possibility that the activity authorized herein may have a significant effect on the environment; and

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE DOES ORDAIN AS FOLLOWS:**

SECTION 1. The foregoing recitals are adopted as findings of the City Council as though set forth fully herein.

SECTION 2. A new Chapter 6.18, entitled "Interfund Loans" shall be added to the Pacific Grove Municipal Code.

SECTION 3. The following text shall be added to Chapter 6.18 as a new section 6.18.010 of the Pacific Grove Municipal Code, as follows:

**6.18.010 SHORT-TERM INTERFUND LOANS**

Unless otherwise restricted by law or City ordinance, all City revenues shall be available for short-term loans to support the cash flow demands of other City funds,

provided that such revenues are not required to meet City obligations of the lending fund during the loan period. All such loans shall be subject to City Council approval and contain fixed terms for repayment and interest payable to the lending fund.

SECTION 4. This Ordinance shall take effect thirty days following enactment, and shall cause amendment of the Pacific Grove Municipal Code.

**PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE** this \_\_\_\_ of \_\_\_\_\_, 2010, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

\_\_\_\_\_  
CARMELITA GARCIA, Mayor

ATTEST:

\_\_\_\_\_  
JAMES L. BECKLENBERG, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
DAVID C. LAREDO, City Attorney