

W.S.D.2

Memorandum Date: May 20, 2009

TO: Board of County Commissioners

DEPARTMENT: Management Services

PRESENTED BY: David Suchart, Management Services Director

AGENDA ITEM TITLE: IN THE MATTER OF AUTHORIZING AN OPERATING INTERFUND LOAN IN THE AMOUNT OF \$75,000 FROM THE GENERAL FUND TO THE MANAGEMENT SERVICES SPECIAL REVENUE FUND

I. MOTION

MOVE APPROVAL OF ORDER AND RESOLUTION 09-05-20-XX AUTHORIZING AN OPERATING INTERFUND LOAN IN THE AMOUNT OF \$75,000 FROM THE GENERAL FUND TO THE MANAGEMENT SERVICES SPECIAL REVENUE FUND

II. AGENDA ITEM SUMMARY

This item authorizes an interfund loan to cover operational costs in the management of tax foreclosed properties.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

Pursuant to ORS 275 and Lane Manual Chapter 21, the costs incurred in the management of real properties acquired through tax foreclosure are reimbursed to the General Fund from the proceeds of sale of such properties.

On February 2, 2005 the Board adopted Lane Manual 21.435 which provides for the designation of certain tax foreclosed properties as Forests, Parks and Recreational Areas. Lane Manual 21.435 additionally provides that proceeds from the sale of properties so designated shall be held for the maintenance and improvement of or acquisition of park and recreation lands.

B. Policy Issues

Interfund loans are a tool to address the policy issue of maintaining balanced

funds and positive cash balances to comply with Local Budget Law.

C. Board Goals

This item supports the goal of providing efficient and effective financial and administrative support and systems.

D. Financial and/or Resource Considerations

A shortfall of approximately \$75,000 is anticipated for the current fiscal year in Fund 268 – Management Services which accounts for the management of County owned properties acquired through tax foreclosure. Proceeds from the sale of tax foreclosed properties are well below both the anticipated amount and historic levels.

The shortfall may be covered from the proceeds of future sales of tax foreclosed properties. An interfund loan from the General Fund would be appropriate, as ORS 275.275 specifically indicates that the proceeds from the sale of such properties be used to reimburse “County General Fund” for the costs incurred.

E. Analysis

The costs of managing tax foreclosed properties have historically been covered from the proceeds of sales of such properties. Two factors have caused a shortfall in the proceeds available for management costs:

- Subsequent to the adoption of Lane Manual 21.435, two parcels have been designated by the Board as Parks land and sold. During the past two fiscal years, the sale of those properties as resulted in proceeds of \$835,596 credited to the Parks Fund, and unavailable for property management expenses. Two additional parcels with an estimated value of \$200,000 have also been designated as Parks land.
- In recent years there has been a significant decrease in the number and value of properties acquired through tax foreclosure. Properties transfer to County ownership five years after a delinquency occurs, and five years ago there was an extremely strong real estate market. This rapid appreciation and active market in real estate likely kept valuable properties out of the foreclosure process. Properties entering in delinquency at the current time that will ultimately be foreclosed will not transfer to County ownership until 2014.

It is anticipated that the interfund loan will be repaid from sales proceeds realized in the next fiscal year. If inadequate sales are realized, this issue will be brought to the Board of Commissioners for additional consideration.

F. Alternatives/Options

1. Approve the resolution authorizing an interfund loan from General Fund to the Management Services Special Revenue Fund bearing interest at the County's internal rate of return, payable in full at June 30, 2010.
2. Do not authorize the loan and instruct staff to seek alternative financing.

IV. RECOMMENDATION

The Management Services Director recommends authorization of the loan.

V. TIMING/IMPLEMENTATION

If approved, the \$75,000 will be transferred to the Management Services Special Revenue Fund upon approval. A supplemental budget will be requested to reflect the loan and subsequent repayment.

VI. FOLLOW-UP

None.

VII. ATTACHMENTS

Order and Resolution

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER AND RESOLUTION) IN THE MATTER OF AUTHORIZING AN OPERATING
) INTERFUND LOAN IN THE AMOUNT OF \$75,000 FROM
) THE GENERAL FUND TO THE MANAGEMENT
) SERVICES SPECIAL REVENUE FUND

WHEREAS, ORS 294.460 allows loans from one County fund to another and requires an ordinance or resolution authorizing the loan; and

WHEREAS, the Management Services Special Revenue Fund is projecting a cash shortfall for the current fiscal year and anticipates adequate revenue to cover the shortfall in the next fiscal year; now therefore

IT IS HEREBY ORDERED AND RESOLVED that the Board of Commissioners authorizes the Director of Management Services to effect an interfund loan pursuant to ORS 294.460 (the "Loan") to provide operating funds as described below:

1. A loan shall be made from the General Fund in the principal amount of \$75,000.
2. The loan is an operating loan to be repaid in full no later than June 30, 2010.
3. The Loan shall bear interest at the County's internal rate of return. Accrued interest is due and payable in full on June 30, 2010.

Dated this day of May, 2009

PETER SORENSON, CHAIR
Board of County Commissioners