COUNCIL ITEM 10C
DATE 5/14/12

ORDINANCE 12-27

AN ORDINANCE OF THE CITY OF PORT ST. LUCIE PROVIDING FOR INTERFUND BORROWING; ESTABLISHING THE METHODOLOGY FOR SETTING INTERFUND LOAN INTEREST RATES; PROVIDING AN EFFECTIVE DATE.

WHEREAS, some City programs may find the need to borrow funds while at the same time other programs may have temporary surplus funds available; and

WHEREAS, interfund loans are an option that is generally more advantageous than outside borrowing for both the borrowing fund and the lending fund; and

WHEREAS, a consistent and objective interfund loan interest rate setting policy is desired to handle such internal borrowing.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PORT ST. LUCIE, FLORIDA:

Section 1. Pursuant to Port St. Lucie City Charter, Section 9.09, upon recommendation of the City's Finance Director with the concurrence of the City Manager, the City Council hereby authorizes and approves the practice of interfund borrowing, whereby one or more City funds or programs receives an advance or loan from other City funds or programs that, at the time, is/are carrying a temporary surplus.

Section 2. Interfund loans shall bear an interest rate equivalent to the 5-year Municipal Bonds Current Yield as published by Bloomberg and publicly available. The rate will be fixed for the duration of the loan at the rate published on the day of the loan. The repayment schedule will be monthly, unless otherwise specified as part of the loan details with interest computed on a simple interest basis calculated on the outstanding loan balance using a 30 day month/360 day year.

Section 3. The dollar amount of any specific interfund loan and the programs involved will be presented to the City Council for approval.

Section 4. This Ordinance shall become effective immediately upon its adoption.

ORDINANCE 12-27

PASSED AND APPROVED by the City Council of the City of Port St. Lucie, Florida, this ____ day of _____, 2012.

CITY COUNCIL
CITY OF PORT ST. LUCIE

ATTEST:

By: _____
JoAnn M. Faiella, Mayor

_____
Karen A. Phillips, City Clerk

APPROVED AS TO FORM: _____
Roger G. Orr, City Attorney

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MEMORANDUM

TO: GREGORY J. ORAVEC, CITY MANAGER

FROM: EDWIN M. FRY, JR., CPA, CGFO, ASSISTANT FINANCE DIRECTOR
and TOM O'REILLY, CPA, CGFO, MPA, CITY ACCOUNTANT

RE: RATE SETTING POLICY FOR INTERNAL BORROWING

DATE: MAY 9, 2012

In order to provide a consistent method of determining the interest rate for inter-fund loans and borrowing, a process should be established that can be applied whenever such borrowings occur. Having approved guidelines in place will ensure that borrowing funds and lending funds will be handled in a fair and consistent manner with other internal borrowings and that the process can be that much more streamlined and efficient.

The interest rate guideline should be established to reflect the then current cost of borrowing in the market place as identified through comparable municipal bond rates and bank qualified borrowing rates. The market place municipal bond rate can be easily identified through publicly available municipal bond indexes such as ones published daily by Bloomberg.

The attached ordinance sets forth the policy guidelines for establishing an internal borrowing interest rate. It is our recommendation that this ordinance be approved.

RECEIVED

MAY 09 2012

City Manager's Office