

MAYOR AND COMMISSIONERS OF THE TOWN OF PERRYVILLE

RESOLUTION NO. 2020 -16

A RESOLUTION OF THE MAYOR AND COMMISSIONERS OF THE TOWN OF PERRYVILLE TO APPROVE AN INTER-FUND LOAN POLICY FOR THE TOWN

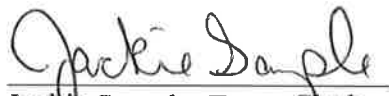
EXPLANATORY STATEMENT: From time to time the Town of Perryville may find it necessary or desirable to provide a loan of funds from and between the Town's General Fund, Water Fund and Sewer Fund. The Mayor and Commissioners have determined that it would be fiscally prudent to establish the parameters and certain terms and conditions upon which such inter-fund loans may be made. Such parameters, terms and conditions are contained in the attached Town of Perryville Inter-Fund Loan Policy.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and Commissioners of the Town of Perryville hereby approve the attached Town of Perryville Inter-Fund Loan Policy as the parameters, terms and conditions upon which the Town may make inter-fund loans between and among the General Fund, the Water Fund and the Sewer Fund.

AND BE IT FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.


READ AND PASSED THIS 1st day of December, 2020.

ATTEST:



Jackie Sample, Town Clerk

MAYOR AND COMMISSIONERS OF
THE TOWN OF PERRYVILLE



Robert R. Ashby, Jr., Mayor

ATTACHMENT TO RESOLUTION 2020-16

TOWN OF PERRYVILLE INTER-FUND LOAN POLICY

Purpose: The purpose of this Inter-fund Loan Policy (“Policy”) is to establish the authorization and parameters for the Mayor and Commissioners to authorize loans from and among the Town of Perryville’s General Fund, Water Fund and Sewer Fund.

Authorization to Make Inter-fund Loans Generally: The Mayor and Commissioners, by ordinance, may authorize the Town to make transfers of money in the nature of loans from the General Fund to the Water Fund or the Sewer Fund, from the Water Fund to the General Fund or the Sewer Fund, and from the Sewer Fund to the General Fund or the Water Fund to meet cash flow needs. Any of these loans shall be referred to as an “Inter-fund Loan”. Any such Inter-fund Loan shall be subject to and made in accordance with the terms and conditions of this Policy.

Limitation on Authorization for Inter-fund Loans: The Mayor and Commissioners may not authorize an Inter-fund Loan:

To a fund which has any other Inter-fund Loan outstanding excluding due to / due from accounts;

To a fund whose assets or revenues are pledged or otherwise restricted to the payment or repayment of other outstanding indebtedness;

From a fund where the loan amount will reduce the lending fund’s unrestricted fund balance or net assets below a minimum amount reasonably estimated by the Town’s Finance Director to be required to be held in reserve to meet that fund’s day to day operating expenses; or

From a fund where the loan amount will result in the fund being in violation of the Town’s fund balance policy.

Authorization to Make Specific Inter-fund Loan: The Mayor and Commissioners may make an Inter-fund Loan if:

The Town’s Finance Director and Town Administrator certify that loan (i) will not negatively affect the lending fund’s ability to pay its own obligations, and (ii) is in excess of anticipated cash needs of the lending fund throughout the duration of the loan and legally available for investment.

The borrowing fund anticipates sufficient revenues to be in a position over the period of the loan to make the specified principal and interest payments as required in the authorizing ordinance; and

The Mayor and Commissioners authorize the loan by ordinance.

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Duration of Loan: An Inter-fund Loan may not have a duration in excess of twenty years.

Determination of Interest: The Mayor and Commissioners, upon consideration of the recommendations of the Finance Director and Town Administrator, shall determine whether interest should accrue on an Inter-Fund Loan until paid. Where the Mayor and Commissioners determine that an Inter-fund Loan should accrue interest, the rate of interest shall approximate the rate of interest the Town earns on its investments at the time the loan is authorized.

Requirements of Ordinance: An ordinance that authorizes an Inter-Fund Loan shall include at least the following terms:

- The purpose of the loan;
- The funds from and to which the Inter-fund Loan is being made;
- The principal amount of the loan;
- The duration of the loan;
- The rate of interest, if any, to accrue on the loan until paid;
- The borrowing fund's source of funds for repayment of the loan;
- The terms of any budget amendment needed for the loan; and
- Other repayment terms of the loan.

Evidence of Loan. Promptly after the effective date of the authorizing ordinance, the Finance Director shall certify to the Mayor and Commissioners and the Town Administrator, in writing, that the Director has recorded the loan, as authorized by the Mayor and Commissioners, on the books and accounts of the Town. The Finance Director's certification (i) shall include the date that the loan was recorded on the books and accounts, and (ii) shall include an amortization schedule for repayment of the loan as authorized. The Inter-fund Loan shall be deemed made on the date the Finance Director recorded the loan.

Appropriation of Funds in Annual Budget to Repay Loan. The Mayor and Commissioners annually shall include in the Town's operating budget any appropriation or appropriations necessary to fund the repayment of installments of principal and interest on any Inter-fund Loan for which repayment is required in that year.

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Satisfaction of Loan. Repayment of an Inter-fund Loan shall be deemed satisfied when the final installment of principal and interest has been paid from the borrowing fund to the lending fund. The Finance Director shall certify, in writing, to the Mayor and Commissioners and Town Administrator when the final payment has been made.