

Exhibit A

PSM CSD District Policy Name	Inter-fund Loan Policy
Adopted	May 25, 2023
Revised	NA
Resolution	05-03-23

PAJARO/SUNNY MESA COMMUNITY SERVICES DISTRICT INTER-FUND LOAN POLICY

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GOAL

The goal of this written policy is to establish requirements and responsibilities for borrowing between enterprise and operating funds of the Pajaro/Sunny Mesa Community Services District, for example, between the Water fund and the Street Lighting fund. This is so all inter-fund loans are adequately deliberated and considered, fiscally responsible, properly documented, and not to the detriment of the fund issuing the loan.

POLICY

Inter-fund loans are loans from one District fund to another District fund, enterprise or operating, for a designated purpose. Inter-fund loans may be made for the following reasons:

1. To offset timing differences in cash flow;
2. To provide interim financing in conjunction with obtaining long-term financing;
3. For short-term borrowing in place of external financing;
4. To provide operating capital for enterprise funds while the customer base increases;
5. For such other needs as deemed reasonable and appropriate by the Board of Directors by resolution.

Inter-fund loans shall not be used to solve ongoing structural budget problems. Inter-fund loans should be limited to addressing short-term issues within one fund (e.g., a major emergency repair).

Inter-fund loan recommendations and the inter-fund loan agreement set forth herein shall include the loan amount, an identified repayment source, the repayment terms and conditions and the due date and timing of repayment. Repayment of all inter-fund loans shall be completed within a maximum of five (5) years of the loan being made.

The term of the inter-fund loan may be more than one year, and may extend from one fiscal year to another but shall be “temporary” in the sense that no permanent diversion of the *lending* fund results from the failure to repay by the borrowing fund. Additionally, inter-fund loans should not hinder the accomplishment of any function or project for which the *lending* fund was established.

Inter-fund loans shall include interest at a rate to be determined at the discretion of the Board, and ordinarily be at an interest rate equal to or more than investment

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earnings the fund would have received had the loan not occurred and be adopted by Board resolution after consideration of any recommendation of the General Manager.

The Board of Directors shall approve all inter-fund loans by resolution. The inter-fund loan agreement shall be included as an exhibit to the resolution.

Payments made on outstanding inter-fund loans shall be reflected in the proposed and adopted operating budget and in the annual financial statements for any period for which the inter-fund loan is outstanding. The annual financial statements shall also include the loan amount, term, due date, rate of interest, and amount of interest due on the total amount of the loan.

If the borrowing fund continues to maintain a negative cash balance for periods beyond the term of the loan, scheduled payments should be postponed until the fund has a positive cash balance. Postponement of any loan payment shall however not be for more than one year and shall be approved by Board resolution. Interest shall continue to accrue and be added to the principal of the loan.

Modifications to existing loans may be made only by Board resolution.

Inter-fund loan funds may only be used for the purpose identified in the authorizing Board resolution. Records of inter-fund loan transactions shall be maintained in accordance with generally accepted accounting principles and will reflect the balances of loans in every fund affected by such transactions.

Any inter-fund loan shall be documented by an agreement in substantially the same form as set forth below in the Sample Loan Inter-Fund Loan Agreement.

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SAMPLE LOAN INTER-FUND LOAN AGREEMENT

The Pajaro/Sunny Mesa Community Services District (“District”) hereby adopts this Inter-fund Loan Agreement (“Agreement”) authorizing the transfer of funds by and between the Pajaro/Sunny Mesa Community Services District (*lending* fund name) _____ (“_____ Fund”) and the Pajaro/Sunny Mesa Community Services District (*borrowing* fund name) _____ Fund (“_____ Fund”).

RECITALS

A. The (*borrowing*) Fund requires an inter-fund loan in order to fund a shortfall from the (time period) _____ Fiscal Year of \$ _____ that was the result of (describe reason for borrowing).

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B. The District desires and has the resources necessary to facilitate an inter-fund loan from the *lending* Fund to the *borrowing* Water Fund.

C. This Agreement is executed for the purpose of evidencing the obligation of the *borrowing* Fund to the *lending* Fund for the repayment of monies loaned to the *borrowing* Fund by the *lending* Fund and to comply with the Board's Pajaro/Sunny Mesa Community Services District Inter-Fund Loan Policy

AGREEMENT

1. The District agrees to transfer from the *lending* Fund to the *borrowing* Fund the amount of _____ on or about _____.

2. The term of this inter-fund loan shall be for a *number of years* (__) year period and shall accrue interest at a simple rate of _____ per annum, compounded monthly.

3. The *borrowing* Fund shall make annual payments based upon the Repayment Schedule contained in Exhibit "A," attached hereto and incorporated herein by reference. The *borrowing* Fund shall repay the *lending* Fund in full by *insert date that the loan term requires repayment*.

4. District staff is directed to make necessary appropriation adjustments to effectuate this inter-fund loan.

5. District staff is directed to appropriately record this loan in the District's ledger system and subsequent financial reports.

IN WITNESS WHEREOF, this Agreement is executed by duly authorized officers of the Pajaro/Sunny Mesa Community Services District this ___ day of _____, 20__

END