



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Art Vela, Interim City Manager

PREPARED BY: Kenneth Louie,

MEETING DATE: February 24, 2026

SUBJECT: Consideration of Resolution 2026-36, Approving the City of Banning Interfund Advances or Loan Policy

RECOMMENDATION:

Adopt Resolution 2026-36

BACKGROUND:

Interfund loans involve the lending of cash from one City fund to another for a specific purpose with a requirement for repayment. The practice of interfund loans is a common, recognized, necessary, and acceptable municipal finance practice. The purpose of the Interfund Loan Policy is to provide guidelines for the proper documentation and approval of interfund loans.

Interfund advances or loans may be made to offset timing differences in cash flow, offset timing differences between expenditures and reimbursements, typically associated with grant funding, providing funds for interim financing in conjunction with obtaining long-term financing, and for short-term borrowing in place of external financing.

The City Manager may initiate short-term interfund advancements or loans under one (1) year which shall be evidenced by a Loan Agreement. Long-term advancements or loans greater than one (1) year shall be evidenced by a Loan Agreement and City Council resolution approving the interfund advance or loan.

The Policy will improve accountability of cash being borrowed between funds and document the methods used by the City to demonstrate prudent financial management over interfund borrowing.

JUSTIFICATION:

Generally accepted account principles permit advances or loans between the funds that are used within a fund accounting framework. The Interfund Advances or Loan Policy ("Policy") is established to ensure that all interfund advances or loans are appropriately authorized, properly documented, and will not hinder the accomplishment of any function or project for which the lending fund was established.

The Policy is intended to apply uniformly and consistently to all funds within the City and to meet the City's financial control, budget authority, audit requirements, and applicable law.

FISCAL IMPACT:

None related to this report.

ALTERNATIVES:

1. Adopt Resolution 2026-36 as recommended.
2. Adopt Resolution 2026-36 with modifications.
3. Do not approve Resolution 2026-36 and provide alternative direction to staff.

BUDGETED?:

No

CONTRACT/AGREEMENT:

No

ATTACHMENTS:

1. [Resolution.2026-36.docx](#)
2. [Interfund Loan Policy.docx](#)