



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director

MEETING DATE: December 10, 2024

SUBJECT: Consideration of Resolutions 2024-199 and 2024-08 UA, Authorizing Overnight Loans from June 30, 2024, Until July 1, 2024, from the Water and Wastewater Enterprise Funds to Cover Governmental Funds Negative Cash at Fiscal Year End in the Amounts of \$1,050,000 and \$50,000, Respectively

RECOMMENDATION:

Adopt Resolutions 2024-199 and 2024-08 UA.

BACKGROUND:

For the purposes of annual financial reporting for the City's Annual Comprehensive Financial Report, no fund is allowed to carry a negative cash balance at the time of reporting. As of June 30, 2024, the City had four funds/fund groupings with large negative cash balances. Those funds were the Electric Enterprise fund grouping that was covered with General Fund Cash, the BEA Capital Projects Fund that was covered by Governmental Fund Cash, the Transit Fund that was covered with Governmental Fund Cash, and the Risk Management Fund, which is partially covered with Governmental Fund Cash, but requires this \$1,100,000 overnight loan to bring cash to zero as of June 30, 2024.

JUSTIFICATION:

The Electric Enterprise Fund Grouping had a negative cash balance of just over \$9.1 million as of June 30, 2024. The General Fund had cash to cover that negative balance at that time. With the recent emergency rate increases for Electric and Council's direction to move forward with potential bond funding, Electric may resolve its negative cash issues by June 30, 2025.

The BEA Capital Projects Fund had a negative cash balance of just over \$4.0 million as of June 30, 2024. Other Governmental Funds had sufficient cash to cover those shortfalls. Staff is currently preparing a bond draw on an existing bond that was issued from the Successor Agency for these projects that will recover over \$7.6 million in cash to repay the fund for capital expenditures. Staff expects this cash to be positive before June 30, 2025.

The Transit Fund had a negative cash balance of just over \$3.7 million as of June 30, 2024, but received approximately that amount since fiscal year end for the reimbursement for bus purchases made during the year under audit. Therefore, that cash has been recouped.

The Risk Management Fund had negative cash of just over \$4.3 million as of June 30, 2024. This negative balance has been growing for a few years due to recurring 30% increases in the cost of Citywide insurance premiums over the past several years, combined with a large litigation settlement dating back several years that was paid during the last fiscal year. This fund is funded through the

Citywide Cost Allocation Plan, which lags up to two years. Staff is preparing the Cost Allocation Plan for fiscal year 3034-25 at this time and is adding funding to Risk Management to allow correction of this negative cash over the next four to five years.

Based on the analysis above, management does not anticipate needing another overnight loan from the Banning Utility Authority as of June 30, 2025, or going forward.

FISCAL IMPACT:

Ratepayer revenues are not allowed to be used for this overnight loan and staff ensured that sufficient non-ratepayer revenues in fiscal year 2023-24 were sufficient to cover this transfer. The loan will not impact overall assets, liabilities, or net position of the Risk Management Fund or the Banning Utility Authority. The loan will only impact cash and the amount due to and from the other.

ALTERNATIVES:

Do not adopt resolutions and provide alternative direction to staff.

BUDGETED?:

No

CONTRACT/AGREEMENT:

No

ATTACHMENTS:

1. [Resolution 2024-199, BUA Overnight Loan.docx](#)
2. [Resolution 2024-08 UA, BUA Overnight Loan.docx](#)