



MEMORANDUM

AGENDA ITEM III.B.1

DATE: JULY 9, 2012
TO: COUNCIL MEMBERS
FROM: STAFF
SUBJECT: LINE OF CREDIT APPLICATION

Council staff has researched applying for a Line of Credit (LOC) agreement with a local banking institution.

The request to pursue a line of credit is the result of getting a lump sum of 30% of our revenues at the very beginning of the year while other revenues, from grants and contracts, fluctuate from month to month according to many variables. At the same time our fixed costs for General Fund and personnel are fairly constant month to month. These two factors indicate that income and outflows don't occur evenly throughout the year. Although the SFRPC budget is balanced showing sufficient funds to cover expenditures, the uneven actual transactional timing produces difficulties with cash flow.

This request is meant to insure that there are funds available to pay our subcontractors in a timely manner which in turn provides the SFRPC with grant/contract revenue. An LOC will also provide operational continuity in case of any unpredictable delays.

It is even more pressing at this time to consider such a strategy since some of our partners may be experiencing funding difficulties of their own due to the state of the economy. Should that be the case, their unfortunate circumstance would be passed on to the SFRPC.

Having an LOC as insurance against an unpredictable situation would be good business practice.

Recommendation

Approve authorizing the application for a Line of Credit, if we receive an acceptance by a banking institution, staff will return to the Council and present proposed guidelines for the Council to use to activate the LOC.