



MEMORANDUM

To: Mayor and Members of the City Council

From: Reginald Goodson, City Manager
Brian Lewis, Interim Finance Director

Date: April 8, 2026

Subj: Consideration – Repayment of Loan from Electric Fund to the Water & Sewer Fund

- ***This item appeared before the Finance Committee during the March 23, 2026 Work Session, at which time it was unanimously approve to move forward for full Council consideration.***

BACKGROUND:

In the early 2000s, the Electric Fund loaned funds to the Water Fund to support capital needs. This interfund loan has remained outstanding for several years. As of June 30, 2025, the total outstanding balance owed by the Water Fund to the Electric Fund was \$1,084,481.85.

Earlier this year, the City Council approved a repayment of \$500,000, reducing the outstanding balance to \$584,481.85.

ANALYSIS:

The FY 2025 audited financial statements indicate that the Water Fund's net position is sufficient to sustain full repayment of the remaining balance without negatively impacting current operations, capital obligations, or required reserves. Paying off the remaining balance will:

- Eliminate the long-standing interfund liability
- Strengthen the Electric Fund's cash position
- Remove future audit comments related to the interfund balance

There will be no impact to the General Fund.

Given the improved financial position of the Water Fund as reflected in the FY 2025 audit, staff believes this is an appropriate time to fully repay the remaining balance. Closing this long-standing obligation improves the financial standing of both enterprise funds and reflects sound fiscal management practices.

STAFF RECOMMENDATION:

By motion, approve the repayment of the balance owed to the Electric Fund from the Water and Sewer Fund.