



MEMORANDUM

To: The Mayor and City Council

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

Date: March 09, 2026

Re: Consideration to Repay the Loan from the Electric Fund to the Water & Sewer Fund

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, 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.