From: McFarlane, Megan (SAO)
To: Strzalka, Amy (SAO); Ehlinger, Carol (SAO); Wilson, Zachary (SAO); Seibert, Melinda (SAO)
Subject: RE: Homeward Bound Trust Questions
Date: Friday, June 8, 2018 7:04:20 AM

Yikes! Here's my thoughts:

The $250,000 loan to the "trust" (non-profit) and the $834,000 loan to the trust – I would think these would be a lending of credit, which would not be allowed.

The interfund loan between the GF and the Transmission Line Replacement Fund – Yes, this appears to be allowable, given the repayment information you provided in your email. Although I think the underlying problem is I don't think the GF can loan the money to the Trust in the first place, so it may not matter.

Yes, they have the authority to surplus property and infrastructure, but would still need to follow specific requirements. We don't have enough info to answer if the land and building was given to the Trust properly. That is something we could certainly look at in an Acct Audit.

The City has now taken on $834,000 plus interest that they loaned to this non-profit for 42 years at 0% interest. Again, I don't think this is allowable. A local government can hold debt of another local government, but I don't know that they can for a non-profit. Also, what happens if the non-profit goes "out of business" or can't make a loan payment?

Megan McFarlane
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From: Strzalka, Amy (SAO)
Sent: Thursday, June 7, 2018 3:36 PM
To: Ehlinger, Carol (SAO) <ehlingerc@sao.wa.gov>; McFarlane, Megan (SAO) <mcfarlanem@sao.wa.gov>; Wilson, Zachary (SAO) <wilsonz@sao.wa.gov>; Seibert, Melinda (SAO) <seibertm@sao.wa.gov>
Subject: FW: Homeward Bound Trust Questions

Hello,

At the City of PT entrance today, a councilmember gave us the following list of concerns (page 1) regarding some loans to a non-profit the City has approved. (Page 2 includes some additional information from the finance department).

The transactions have all been thoroughly reviewed by the City Attorney and were approved by City Council. (The Council member submitting the concerns was the only "no" vote). I'm not sure how

deeply we should delve into any of this, if at all.

We've looked at the interfund loan and it was properly approved and has an appropriately brief repayment period (less than 3 years) and an assigned interest rate (the LGIP rate). As far as the rest goes, I feel like cities have a very broad "authority" as to what they are allowed to do with their money, and if they choose to use City funds to assist a local non-profit in creating additional low-income housing, that seems like it would fall under the "poor and infirm" exception that isn't a gift of public funds.

Any thoughts/advice?

Amy

From: Nora Mitchell <NMitchell@cityofpt.us>
Sent: Thursday, June 7, 2018 3:23 PM
To: Strzalka, Amy (SAO) <strzalkaa@sao.wa.gov>; Schneider, Melody (SAO) <schneiderm@sao.wa.gov>
Cc: Sheila Danielson <SDanielson@cityofpt.us>; David Timmons <dtimmons@cityofpt.us>
Subject: Homeward Bound Trust Questions

Please find a copy of Bob Gray's questions, brief staff answers to these questions and the associated resolutions. In all cases, there are additional agreements, documents and agenda bills related to the items that were approved by City Council. If you need further information, have questions or would like additional documents, please let Sheila or me know.

Thanks!

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