

1 **LOCAL GOVERNMENT INTERFUND LOANS**

2 2014 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: John Knotwell**

5 Senate Sponsor: Curtis S. Bramble

7 **LONG TITLE**

8 **General Description:**

9 This bill amends provisions allowing local governments to authorize interfund loans.

10 **Highlighted Provisions:**

11 This bill:

- 12 ▶ defines terms;
- 13 ▶ requires the terms and conditions of an interfund loan to be in writing;
- 14 ▶ requires an interfund loan to be approved by ordinance or resolution in a public
- 15 meeting;
- 16 ▶ places restrictions on the interest rate;
- 17 ▶ places restrictions on the length of the loan;
- 18 ▶ requires notice and a public hearing with an exception to the requirements;
- 19 ▶ provides an exemption from the requirements under certain circumstances; and
- 20 ▶ makes technical corrections.

21 **Money Appropriated in this Bill:**

22 None

23 **Other Special Clauses:**

24 This bill coordinates with S.B. 18, Local Government General Fund Amendments, by

25 providing technical amendments.

26 **Utah Code Sections Affected:**

27 AMENDS:

28 **10-5-120**, as enacted by Laws of Utah 1983, Chapter 34

29 **10-6-106**, as last amended by Laws of Utah 2003, Chapter 292

30 **10-6-132**, as enacted by Laws of Utah 1979, Chapter 26
 31 **17-36-3**, as last amended by Laws of Utah 2012, Chapter 17
 32 **17-36-30**, as enacted by Laws of Utah 1975, Chapter 22
 33 **17B-1-601**, as renumbered and amended by Laws of Utah 2007, Chapter 329
 34 **17B-1-626**, as renumbered and amended by Laws of Utah 2007, Chapter 329

35 ENACTS:

36 **10-5-102.5**, Utah Code Annotated 1953

37 **Utah Code Sections Affected by Coordination Clause:**

38 **10-5-102.5**, Utah Code Annotated 1953
 39 **10-6-106**, as last amended by Laws of Utah 2003, Chapter 292
 40 **17-36-3**, as last amended by Laws of Utah 2012, Chapter 17



42 *Be it enacted by the Legislature of the state of Utah:*

43 Section 1. Section **10-5-102.5** is enacted to read:

44 **10-5-102.5. Definitions.**

45 As used in this chapter:

46 (1) "Fund" is as defined by the Governmental Accounting Standards Board as reflected
 47 in the Uniform Accounting Manual for All Local Governments prepared by the Office of the
 48 Utah State Auditor.

49 (2) "General fund" is as defined by the Governmental Accounting Standards Board as
 50 reflected in the Uniform Accounting Manual for All Local Governments prepared by the Office
 51 of the Utah State Auditor.

52 (3) "Interfund loan" means a loan of cash from one fund to another, subject to future
 53 repayment.

54 (4) "Town general fund" means the general fund used by a town.

55 Section 2. Section **10-5-120** is amended to read:

56 **10-5-120. Loans between funds -- Bonds purchased by funds.**

57 (1) Subject to this section, restrictions imposed by bond ordinance, [statute,] or other

58 controlling regulations, the town council may [~~(1)~~]:

59 (a) subject to the restrictions in Section 53-2a-605, authorize an interfund [loans] loan
60 from one fund to another [at such interest rates and upon such repayment terms and conditions
61 as it may prescribe,]; and [(2)]

62 (b) with available cash in any fund, purchase or otherwise acquire for investment an
63 unmatured [bonds] bond of the town or of any fund of the town.

64 (2) An interfund loan under Subsection (1)(a) shall be in writing and specify the terms
65 and conditions of the loan, including the:

66 (a) effective date of the loan;

67 (b) name of the fund loaning the money;

68 (c) name of the fund receiving the money;

69 (d) amount of the loan;

70 (e) subject to Subsection (3), term of and repayment schedule for the loan;

71 (f) subject to Subsection (4), interest rate of the loan;

72 (g) method of calculating interest applicable to the loan;

73 (h) procedures for:

74 (i) applying interest to the loan; and

75 (ii) paying interest on the loan; and

76 (i) other terms and conditions the town council determines applicable.

77 (3) The term and repayment schedule specified under Subsection (2)(e) may not exceed
78 10 years.

79 (4) (a) In determining the interest rate of the loan specified under Subsection (2)(f), the
80 town council shall apply an interest rate that reflects the rate of potential gain had the funds
81 been deposited or invested in a comparable investment.

82 (b) Notwithstanding Subsection (4)(a), the interest rate of the loan specified under
83 Subsection (2)(f):

84 (i) if the term of the loan under Subsection (2)(e) is one year or less, may not be less
85 than the rate offered by the Public Treasurers' Investment Fund that was created for public

86 funds transferred to the state treasurer in accordance with Section 51-7-5; or

87 (ii) if the term of the loan under Subsection (2)(e) is more than one year, may not be
88 less than the greater of the rate offered by:

89 (A) the Public Treasurers' Investment Fund that was created for public funds
90 transferred to the state treasurer in accordance with Section 51-7-5; or

91 (B) a United States Treasury note of a comparable term.

92 (5) (a) For an interfund loan under Subsection (1)(a), the town council shall:

93 (i) hold a public hearing;

94 (ii) prepare a written notice of the date, time, place, and purpose of the hearing, and the
95 proposed terms and conditions of the interfund loan under Subsection (2);

96 (iii) provide notice of the public hearing in the same manner as required under
97 Subsection 10-5-108(2) as if the hearing were a budget hearing; and

98 (iv) authorize the interfund loan by ordinance or resolution in a public meeting.

99 (b) The notice and hearing requirements in Subsection (5)(a) are satisfied if the
100 interfund loan is included in an original budget or in a subsequent budget amendment
101 previously approved by the town council for the current fiscal year.

102 (6) Subsections (2) through (5) do not apply to an interfund loan if the interfund loan
103 is:

104 (a) a loan from the town general fund to any other fund of the town; or

105 (b) a short-term advance from the town's cash and investment pool to individual funds
106 that are repaid by the end of the fiscal year.

107 Section 3. Section 10-6-106 is amended to read:

108 **10-6-106. Definitions.**

109 As used in this chapter:

110 (1) "Account group" is defined by generally accepted accounting principles as reflected
111 in the Uniform Accounting Manual for Utah Cities.

112 (2) "Appropriation" means an allocation of money by the governing body for a specific
113 purpose.

114 (3) (a) "Budget" means a plan of financial operations for a fiscal period which
115 embodies estimates of proposed expenditures for given purposes and the proposed means of
116 financing them.

117 (b) "Budget" may refer to the budget of a particular fund for which a budget is required
118 by law or it may refer collectively to the budgets for all such funds.

119 (4) "Budgetary fund" means a fund for which a budget is required.

120 (5) "Budget officer" means the city auditor in a city of the first and second class, the
121 mayor or some person appointed by the mayor with the approval of the city council in a city of
122 the third, fourth, or fifth class, the mayor in the council-mayor optional form of government, or
123 the person designated by the charter in a charter city.

124 (6) "Budget period" means the fiscal period for which a budget is prepared.

125 (7) "Check" means an order in a specific amount drawn upon a depository by an
126 authorized officer of a city.

127 (8) "City general fund" means the general fund used by a city.

128 [~~(8)~~] (9) "Current period" means the fiscal period in which a budget is prepared and
129 adopted, i.e., the fiscal period next preceding the budget period.

130 [~~(9)~~] (10) "Department" means any functional unit within a fund that carries on a
131 specific activity, such as a fire or police department within a General Fund.

132 [~~(10)~~] (11) "Encumbrance system" means a method of budgetary control in which part
133 of an appropriation is reserved to cover a specific expenditure by charging obligations, such as
134 purchase orders, contracts, or salary commitments to an appropriation account at their time of
135 origin. Such obligations cease to be encumbrances when paid or when the actual liability is
136 entered on the city's books of account.

137 [~~(11)~~] (12) "Estimated revenue" means the amount of revenue estimated to be received
138 from all sources during the budget period in each fund for which a budget is being prepared.

139 [~~(12)~~] (13) "Financial officer" means the mayor in the council-mayor optional form of
140 government or the city official as authorized by Section [10-6-158](#).

141 [~~(13)~~] (14) "Fiscal period" means the annual or biennial period for accounting for fiscal

142 operations in each city.

143 [(14)] (15) "Fund" is as defined by generally accepted accounting principles as
144 reflected in the Uniform Accounting Manual for Utah Cities.

145 [(15)] (16) "Fund balance," "retained earnings," and "deficit" have the meanings
146 commonly accorded such terms under generally accepted accounting principles as reflected in
147 the Uniform Accounting Manual for Utah Cities.

148 (17) "General fund" is as defined by the Governmental Accounting Standards Board as
149 reflected in the Uniform Accounting Manual for All Local Governments prepared by the Office
150 of the Utah State Auditor.

151 [(16)] (18) "Governing body" means a city council, or city commission, as the case
152 may be, but the authority to make any appointment to any position created by this chapter is
153 vested in the mayor in the council-mayor optional form of government.

154 [(17)] (19) "Interfund loan" means a loan of cash from one fund to another, subject to
155 future repayment [~~and does not constitute an expenditure or a use of retained earnings or fund~~
156 ~~balance of the lending fund or revenue to the borrowing fund].~~

157 [(18)] (20) "Last completed fiscal period" means the fiscal period next preceding the
158 current period.

159 [(19)] (21) "Public funds" means any money or payment collected or received by an
160 officer or employee of the city acting in an official capacity and includes money or payment to
161 the officer or employee for services or goods provided by the city, or the officer or employee
162 while acting within the scope of employment or duty. Public funds do not include money or
163 payments collected or received by an officer or employee of a city for charitable purposes if the
164 mayor or city council has consented to the officer's or employee's participation in soliciting
165 contributions for a charity.

166 [(20)] (22) "Special fund" means any fund other than the General Fund.

167 [(21)] (23) "Warrant" means an order drawn upon the city treasurer, in the absence of
168 sufficient money in the city's depository, by an authorized officer of a city for the purpose of
169 paying a specified amount out of the city treasury to the person named or to the bearer as

170 money becomes available.

171 Section 4. Section **10-6-132** is amended to read:

172 **10-6-132. Loans by one fund to another -- Acquiring bonds for investment.**

173 (1) Subject to this section, restrictions imposed by bond ordinance, [statute] or other
174 controlling regulations, the governing body of a city may [(+)]:

175 (a) subject to the restrictions in Section 53-2a-605, authorize an interfund [loans] loan
176 from one fund to another [at such interest rates and upon such repayment terms and conditions
177 as it may prescribe,]; and [(2)]

178 (b) with available cash in any fund, purchase or otherwise acquire for investment an
179 unmatured [bonds] bond of the city or of any fund of the city.

180 (2) An interfund loan under Subsection (1)(a) shall be in writing and specify the terms
181 and conditions of the loan, including the:

182 (a) effective date of the loan;

183 (b) name of the fund loaning the money;

184 (c) name of the fund receiving the money;

185 (d) amount of the loan;

186 (e) subject to Subsection (3), term of and repayment schedule for the loan;

187 (f) subject to Subsection (4), interest rate of the loan;

188 (g) method of calculating interest applicable to the loan;

189 (h) procedures for:

190 (i) applying interest to the loan; and

191 (ii) paying interest on the loan; and

192 (i) other terms and conditions the governing body determines applicable.

193 (3) The term and repayment schedule specified under Subsection (2)(e) may not exceed
194 10 years.

195 (4) (a) In determining the interest rate of the loan specified under Subsection (2)(f), the
196 governing body shall apply an interest rate that reflects the rate of potential gain had the funds
197 been deposited or invested in a comparable investment.

198 (b) Notwithstanding Subsection (4)(a), the interest rate of the loan specified under
199 Subsection (2)(f):

200 (i) if the term of the loan under Subsection (2)(e) is one year or less, may not be less
201 than the rate offered by the Public Treasurers' Investment Fund that was created for public
202 funds transferred to the state treasurer in accordance with Section 51-7-5; or

203 (ii) if the term of the loan under Subsection (2)(e) is more than one year, may not be
204 less than the greater of the rate offered by:

205 (A) the Public Treasurers' Investment Fund that was created for public funds
206 transferred to the state treasurer in accordance with Section 51-7-5; or

207 (B) a United States Treasury note of a comparable term.

208 (5) (a) For an interfund loan under Subsection (1)(a), the governing body shall:

209 (i) hold a public hearing;

210 (ii) prepare a written notice of the date, time, place, and purpose of the hearing, and the
211 proposed terms and conditions of the interfund loan under Subsection (2);

212 (iii) provide notice of the public hearing in the same manner as required under Section
213 10-6-113 as if the hearing were a budget hearing; and

214 (iv) authorize the interfund loan by ordinance or resolution in a public meeting.

215 (b) The notice and hearing requirements in Subsection (5)(a) are satisfied if the
216 interfund loan is included in an original budget or in a subsequent budget amendment
217 previously approved by the governing body for the current fiscal year.

218 (6) Subsections (2) through (5) do not apply to an interfund loan if the interfund loan
219 is:

220 (a) a loan from the city general fund to any other fund of the city; or

221 (b) a short-term advance from the city's cash and investment pool to individual funds
222 that are repaid by the end of the fiscal year.

223 Section 5. Section 17-36-3 is amended to read:

224 **17-36-3. Definitions.**

225 As used in this chapter:

226 (1) "Accrual basis of accounting" means a method where revenues are recorded when
227 earned and expenditures recorded when they become liabilities notwithstanding that the receipt
228 of the revenue or payment of the expenditure may take place in another accounting period.

229 (2) "Appropriation" means an allocation of money for a specific purpose.

230 (3) (a) "Budget" means a plan for financial operations for a fiscal period, embodying
231 estimates for proposed expenditures for given purposes and the means of financing the
232 expenditures.

233 (b) "Budget" may refer to the budget of a fund for which a budget is required by law, or
234 collectively to the budgets for all those funds.

235 (4) "Budgetary fund" means a fund for which a budget is required, such as those
236 described in Section 17-36-8.

237 (5) "Budget officer" means:

238 (a) for a county of the second, third, fourth, fifth, or sixth class, the county auditor,
239 county clerk, or county executive as provided in Subsection 17-19-19(1); or

240 (b) for a county of the first class, a person described in Section 17-19a-203.

241 (6) "Budget period" means the fiscal period for which a budget is prepared.

242 (7) "Check" means an order in a specific amount drawn upon the depositary by any
243 authorized officer in accordance with Section 17-19-3, 17-19a-301, 17-24-1, or 17-24-1.1, as
244 applicable.

245 (8) "County general fund" means the general fund used by a county.

246 [~~8~~] (9) "Countywide service" means a service provided in both incorporated and
247 unincorporated areas of a county.

248 [~~9~~] (10) "Current period" means the fiscal period in which a budget is prepared and
249 adopted.

250 [~~10~~] (11) "Department" means any functional unit within a fund which carries on a
251 specific activity.

252 [~~11~~] (12) "Encumbrance system" means a method of budgetary control where part of
253 an appropriation is reserved to cover a specific expenditure by charging obligations, such as

254 purchase orders, contracts, or salary commitments to an appropriation account. An expenditure
255 ceases to be an encumbrance when paid or when the actual liability is entered in the books of
256 account.

257 ~~[(12)]~~ (13) "Estimated revenue" means any revenue estimated to be received during the
258 budget period in any fund for which a budget is prepared.

259 ~~[(13)]~~ (14) "Fiscal period" means the annual or biennial period for recording county
260 fiscal operations.

261 ~~[(14)]~~ (15) "Fund" means an independent fiscal and accounting entity comprised of a
262 sum of money or other resources segregated for a specific purpose or objective.

263 ~~[(15)]~~ (16) "Fund balance" means the excess of the assets over liabilities, reserves, and
264 contributions, as reflected by its books of account.

265 ~~[(16)]~~ (17) "Fund deficit" means the excess of liabilities, reserves, and contributions
266 over its assets, as reflected by its books of account.

267 ~~[(17)]~~ (18) "General fund" ~~[means the fund used to account for all receipts,~~
268 ~~disbursements, assets, liabilities, reserves, fund balances, revenues, and expenditures not~~
269 ~~required to be accounted for in other funds]~~ is as defined by the Governmental Accounting
270 Standards Board as reflected in the Uniform Accounting Manual for All Local Governments
271 prepared by the Office of the Utah State Auditor.

272 ~~[(18)]~~ (19) "Interfund loan" means a loan of cash from one fund to another, subject to
273 future repayment~~;~~ ~~but it does not constitute an expenditure or a use of retained earnings, fund~~
274 ~~balance, or unappropriated surplus of the lending fund].~~

275 ~~[(19)]~~ (20) "Last completed fiscal period" means the fiscal period next preceding the
276 current period.

277 ~~[(20)]~~ (21) "Modified accrual basis of accounting" means a method under which
278 expenditures other than accrued interest on general long-term debt are recorded at the time
279 liabilities are incurred and revenues are recorded when they become measurable and available
280 to finance expenditures of the current period.

281 ~~[(21)]~~ (22) "Municipal capital project" means the acquisition, construction, or

282 improvement of capital assets that facilitate providing municipal service.

283 [(22)] (23) "Municipal service" means a service not provided on a countywide basis
284 and not accounted for in an enterprise fund, and includes police patrol, fire protection, culinary
285 or irrigation water retail service, water conservation, local parks, sewers, sewage treatment and
286 disposal, cemeteries, garbage and refuse collection, street lighting, airports, planning and
287 zoning, local streets and roads, curb, gutter, and sidewalk maintenance, and ambulance service.

288 [(23)] (24) "Retained earnings" means that part of the net earnings retained by an
289 enterprise or internal service fund which is not segregated or reserved for any specific purpose.

290 [(24)] (25) "Special fund" means any fund other than the General Fund, such as those
291 described in Section 17-36-6.

292 [(25)] (26) "Unappropriated surplus" means that part of a fund which is not
293 appropriated for an ensuing budget period.

294 [(26)] (27) "Warrant" means an order in a specific amount drawn upon the treasurer by
295 the auditor.

296 Section 6. Section 17-36-30 is amended to read:

297 **17-36-30. Interfund loans -- Acquisition of issued unmatured bonds.**

298 [The] (1) Subject to this section, restrictions imposed by bond covenants, or other
299 controlling regulations, the governing body may [(+)]:

300 (a) subject to the restrictions in Section 53-2a-605, authorize an interfund [loans] loan
301 from one fund to another [at such interest rates and subject to such terms for repayment as it
302 may prescribe]; and [may (2)]

303 (b) with available cash in any fund, purchase or otherwise acquire for investment[;
304 issued] an unmatured [bonds] bond of the county or of any county fund.

305 (2) An interfund loan under Subsection (1)(a) shall be in writing and specify the terms
306 and conditions of the loan, including the:

- 307 (a) effective date of the loan;
- 308 (b) name of the fund loaning the money;
- 309 (c) name of the fund receiving the money;

- 310 (d) amount of the loan;
- 311 (e) subject to Subsection (3), term of and repayment schedule for the loan;
- 312 (f) subject to Subsection (4), interest rate of the loan;
- 313 (g) method of calculating interest applicable to the loan;
- 314 (h) procedures for:
 - 315 (i) applying interest to the loan; and
 - 316 (ii) paying interest on the loan; and
 - 317 (i) other terms and conditions the governing body determines applicable.
- 318 (3) The term and repayment schedule specified under Subsection (2)(e) may not exceed
- 319 10 years.
- 320 (4) (a) In determining the interest rate of the loan specified under Subsection (2)(f), the
- 321 governing body shall apply an interest rate that reflects the rate of potential gain had the funds
- 322 been deposited or invested in a comparable investment.
- 323 (b) Notwithstanding Subsection (4)(a), the interest rate of the loan specified under
- 324 Subsection (2)(f):
 - 325 (i) if the term of the loan under Subsection (2)(e) is one year or less, may not be less
 - 326 than the rate offered by the Public Treasurers' Investment Fund that was created for public
 - 327 funds transferred to the state treasurer in accordance with Section [51-7-5](#); or
 - 328 (ii) if the term of the loan under Subsection (2)(e) is more than one year, may not be
 - 329 less than the greater of the rate offered by:
 - 330 (A) the Public Treasurers' Investment Fund that was created for public funds
 - 331 transferred to the state treasurer in accordance with Section [51-7-5](#); or
 - 332 (B) a United States Treasury note of a comparable term.
 - 333 (5) (a) For an interfund loan under Subsection (1)(a), the governing body shall:
 - 334 (i) hold a public hearing;
 - 335 (ii) prepare a written notice of the date, time, place, and purpose of the hearing, and the
 - 336 proposed terms and conditions of the interfund loan under Subsection (2);
 - 337 (iii) provide notice of the public hearing in the same manner as required under Section

338 17-36-12 as if the hearing were a budget hearing; and

339 (iv) authorize the interfund loan by ordinance or resolution in a public meeting.

340 (b) The notice and hearing requirements in Subsection (5)(a) are satisfied if the
341 interfund loan is included in an original budget or in a subsequent budget amendment
342 previously approved by the governing body for the current fiscal year.

343 (6) Subsections (2) through (5) do not apply to an interfund loan if the interfund loan
344 is:

345 (a) a loan from the county general fund to any other fund of the county; or

346 (b) a short-term advance from the county's cash and investment pool to individual
347 funds that are repaid by the end of the fiscal year.

348 Section 7. Section **17B-1-601** is amended to read:

349 **17B-1-601. Definitions.**

350 As used in this part:

351 (1) "Appropriation" means an allocation of money by the board of trustees for a
352 specific purpose.

353 (2) "Budget" means a plan of financial operations for a fiscal year which embodies
354 estimates of proposed expenditures for given purposes and the proposed means of financing
355 them, and may refer to the budget of a particular fund for which a budget is required by law or
356 it may refer collectively to the budgets for all such funds.

357 (3) "Budget officer" means the person appointed by the local district board of trustees
358 to prepare the budget for the district.

359 (4) "Budget year" means the fiscal year for which a budget is prepared.

360 (5) "Calendar year entity" means a local district whose fiscal year begins January 1 and
361 ends December 31 of each calendar year as described in Section **17B-1-602**.

362 (6) "Current year" means the fiscal year in which a budget is prepared and adopted,
363 which is the fiscal year next preceding the budget year.

364 (7) "Deficit" has the meaning given under generally accepted accounting principles as
365 reflected in the Uniform Accounting Manual for Local Districts.

366 (8) "Estimated revenue" means the amount of revenue estimated to be received from all
367 sources during the budget year in each fund for which a budget is being prepared.

368 (9) "Financial officer" means the official under Section 17B-1-642.

369 (10) "Fiscal year" means the annual period for accounting for fiscal operations in each
370 district.

371 (11) "Fiscal year entity" means a local district whose fiscal year begins July 1 of each
372 year and ends on June 30 of the following year as described in Section 17B-1-602.

373 (12) "Fund" has the meaning given under generally accepted accounting principles as
374 reflected in the Uniform Accounting Manual for Local Districts.

375 (13) "Fund balance" has the meaning given under generally accepted accounting
376 principles as reflected in the Uniform Accounting Manual for Local Districts.

377 (14) "General fund" is as defined by the Governmental Accounting Standards Board as
378 reflected in the Uniform Accounting Manual for All Local Governments prepared by the Office
379 of the Utah State Auditor.

380 [~~(14)~~] (15) "Governmental funds" means the general fund, special revenue fund, debt
381 service fund, and capital projects fund of a local district.

382 [~~(15)~~] (16) "Interfund loan" means a loan of cash from one fund to another, subject to
383 future repayment. [~~It does not constitute an expenditure or a use of retained earnings or fund~~
384 ~~balance of the lending fund or revenue to the borrowing fund.~~]

385 [~~(16)~~] (17) "Last completed fiscal year" means the fiscal year next preceding the
386 current fiscal year.

387 (18) "Local district general fund" means the general fund used by a local district.

388 [~~(17)~~] (19) "Proprietary funds" means enterprise funds and the internal service funds of
389 a local district.

390 [~~(18)~~] (20) "Public funds" means any money or payment collected or received by an
391 officer or employee of a local district acting in an official capacity and includes money or
392 payment to the officer or employee for services or goods provided by the district, or the officer
393 or employee while acting within the scope of employment or duty.

394 ~~[(19)]~~ (21) "Retained earnings" has the meaning given under generally accepted
 395 accounting principles as reflected in the Uniform Accounting Manual for Local Districts.

396 ~~[(20)]~~ (22) "Special fund" means any local district fund other than the local district's
 397 general fund.

398 Section 8. Section **17B-1-626** is amended to read:

399 **17B-1-626. Loans by one fund to another.**

400 (1) Subject to this section, restrictions imposed by bond covenants, ~~[statute,]~~
 401 restrictions in Section 53-2a-605, or other controlling regulations, the board of trustees of a
 402 local district may authorize an interfund ~~[loans]~~ loan from one fund to another ~~[at interest rates;~~
 403 ~~repayment terms, and conditions prescribed by the board of trustees].~~

404 (2) An interfund loan under Subsection (1) shall be in writing and specify the terms
 405 and conditions of the loan, including the:

- 406 (a) effective date of the loan;
- 407 (b) name of the fund loaning the money;
- 408 (c) name of the fund receiving the money;
- 409 (d) amount of the loan;
- 410 (e) subject to Subsection (3), term of and repayment schedule for the loan;
- 411 (f) subject to Subsection (4), interest rate of the loan;
- 412 (g) method of calculating interest applicable to the loan;
- 413 (h) procedures for:
 - 414 (i) applying interest to the loan; and
 - 415 (ii) paying interest on the loan; and
 - 416 (i) other terms and conditions the board of trustees determines applicable.

417 (3) The term and repayment schedule specified under Subsection (2)(e) may not exceed
 418 10 years.

419 (4) (a) In determining the interest rate of the loan specified under Subsection (2)(f), the
 420 board of trustees shall apply an interest rate that reflects the rate of potential gain had the funds
 421 been deposited or invested in a comparable investment.

422 (b) Notwithstanding Subsection (4)(a), the interest rate of the loan specified under
423 Subsection (2)(f):

424 (i) if the term of the loan under Subsection (2)(e) is one year or less, may not be less
425 than the rate offered by the Public Treasurers' Investment Fund that was created for public
426 funds transferred to the state treasurer in accordance with Section 51-7-5; or

427 (ii) if the term of the loan under Subsection (2)(e) is more than one year, may not be
428 less than the greater of the rate offered by:

429 (A) the Public Treasurers' Investment Fund that was created for public funds
430 transferred to the state treasurer in accordance with Section 51-7-5; or

431 (B) a United States Treasury note of a comparable term.

432 (5) (a) For an interfund loan under Subsection (1), the board of trustees shall:

433 (i) hold a public hearing;

434 (ii) prepare a written notice of the date, time, place, and purpose of the hearing, and the
435 proposed terms and conditions of the interfund loan under Subsection (2);

436 (iii) provide notice of the public hearing in the same manner as required under Section
437 17B-1-609 as if the hearing were a budget hearing; and

438 (iv) authorize the interfund loan by resolution in a public meeting.

439 (b) The notice and hearing requirements in Subsection (5)(a) are satisfied if the
440 interfund loan is included in an original budget or in a subsequent budget amendment
441 previously approved by the board of trustees for the current fiscal year.

442 (6) Subsections (2) through (5) do not apply to an interfund loan if the interfund loan
443 is:

444 (a) a loan from the local district general fund to any other fund of the local district; or

445 (b) a short-term advance from the local district's cash and investment pool to individual
446 funds that are repaid by the end of the fiscal year.

447 **Section 9. Coordinating H.B. 381 with S.B. 18 -- Technical amendments.**

448 If this H.B. 381 and S.B. 18, Local Government General Fund Amendments, both pass
449 and become law, the Legislature intends that the Office of Legislative Research and General

450 Counsel, in preparing the Utah Code database for publication, make the following changes:

451 (1) Section 10-5-102.5 in this H.B. 381 supersedes Section 10-5-102.5 in S.B. 18;

452 (2) Subsection 10-6-106(8) in this H.B. 381 supersedes Subsection 10-6-106(8) in S.B.

453 18;

454 (3) Subsection 17-36-3(8) in this H.B. 381 supersedes Subsection 17-36-3(8) in S.B.

455 18; and

456 (4) the definition of "General fund" in Subsection 17-36-3(18) in this H.B. 381

457 supersedes the changes to the definition of "General Fund" in Subsection 17-36-3(17) in S.B.

458 18.