

RESOLUTION NO. 2011-12

A RESOLUTION of the City Council of the City of Bainbridge Island, Washington, providing for short-term borrowing from the General Fund to the Capital Construction Fund.

WHEREAS, the City's approved Capital Improvement Plan includes non-utility projects funded in whole or in part with reimbursable grants; and

WHEREAS, the City uses the Capital Construction Fund to record such non-utility capital projects; and

WHEREAS, the City must expend funds on these non-utility capital projects before the City may apply for reimbursement under the grants; and

WHEREAS, the City has by Resolution No. 2008-14 pertaining to "Purposes and Uses of Debt" established **Policy 15 - Short-term Borrowing** which states; "Except for LIDs and similar situations, the use of short-term borrowing, such as bond anticipation notes (BANs) and tax-exempt commercial paper will be undertaken only if the transaction costs plus interest of the debt are less than the cost of an interfund loan, or available cash is insufficient to meet working capital requirements"; and

WHEREAS, the City has reviewed the current financial position and cash flow analysis for the fiscal year of 2011 for the General Fund and the Capital Construction Fund and has determined that it would be prudent for the Capital Construction Fund to engage in short-term borrowing in an amount not to exceed Four Hundred Thousand Dollars (\$400,000) to cover expenses associated with projects funded in whole or in part by reimbursable grants; and

WHEREAS, the 2011 GAAP BARS Manual, part 3, chapter 4, page 1, states that "the legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, indicate the lending fund, and provide in the authorization a planned schedule of repayment"; and

WHEREAS, the City has determined that the combination of transaction costs plus interest for the City to issue commercial paper or a note to a third party will exceed the costs to the Capital Construction Fund of an interfund loan, primarily because an interfund loan entails no third-party transaction costs and may exclude interest; and

WHEREAS, the use of an interfund loan allows considerably greater flexibility and timeliness than commercial paper or a note to a third-party lender, and thereby permits the City to control the draws and repayments from month to month to ensure that the balance is not in excess of that month's requirements; and

WHEREAS, the City Council recognizes that this type of interfund borrowing may be required in the future when non-utility capital projects are funded with reimbursable grants; and

WHEREAS, the City Council finds that it has exercised due regard for the maintenance and operation expense of the activities supported by the General Fund and finds that the General

Fund revenues and cash balances are expected to be more than sufficient to meet all of the needs of the General Fund through the loan period and has funds available to make the interfund loan authorized herein, now therefore,

**THE CITY COUNCIL OF THE CITY OF BAINBRIDGE ISLAND, WASHINGTON,
DOES RESOLVE AS FOLLOWS:**

Section 1. Authorization of Loan. The City's Director of Finance is authorized and directed, on and after April 28, 2011, to cause the City's Capital Construction Fund to borrow cash from the General Fund in one or more draws, where the outstanding principal amount of the loan shall at no time exceed Four Hundred Thousand Dollars (\$400,000), and which may vary as determined by the Director of Finance based on the Director's analysis of the cash needs of the Capital Construction Fund from time to time during such time period.

Section 2. Scheduled Repayment. The Director of Finance shall cause any and all outstanding balance of the interfund loan to be repaid to the General Fund by the Capital Construction Fund on (and in no event later than) December 31, 2011, and this interfund lending authorization shall terminate on that date, except that this interfund loan may be extended, at Council's discretion, if there continues to be non-utility reimbursable grant-funded projects in the Capital Construction Fund.

Section 3. Interest. There shall be no interest charged for this loan as the expenses could be legally and properly paid from the General Fund.

Section 4. No Fees or Prepayment Penalties. Prepayments shall be permissible at the discretion of the Director of Finance, and there shall be no fees or prepayment penalties on interfund loans and, subject to the Four Hundred Thousand Dollar (\$400,000) overall principal limit on outstanding balance as stated in Section 1, there shall be no advance notice required for any additional interfund draw or prepayment.

Section 5. Monthly Reporting to City Council. The Director of Finance shall provide monthly reports to City Council, as requested.

Section 6. Effective Date. This resolution shall be in full force and effect from and after its approval by the City Council until the date stated in Section 2.

PASSED by the City Council this 27th day of April, 2011

APPROVED by the Mayor this 27th day of April, 2011.



Kirsten Hytopoulos, Mayor

ATTEST:

Rosalind D. Lassoff
Rosalind D. Lassoff, City Clerk

FILED WITH THE CITY CLERK:	April 22, 2011
PASSED BY THE CITY COUNCIL:	April 27, 2011
RESOLUTION NO.	2011-12