

RESOLUTION NO. 2012-14

A **RESOLUTION** of the City Council of the City of Bainbridge Island, Washington, providing for repayment of Storm and Surface Water Management (SSWM) fees from the SSWM Fund to the Streets Fund, with scheduled repayment no later than December 31, 2013.

WHEREAS, the City has by Ordinance No. 2012-16 pertaining to storm and surface water rates for City streets and roads, state highway right-of-way and private roads, established that City streets and roads shall be exempt from storm and surface water fees retroactive to January 1, 2008; and

WHEREAS, the City had in previous years under Ordinance Nos. 2007-39 and 2010-34 made storm and surface water fee payments from the Street Fund to the SSWM Fund; and

WHEREAS, under the actions taken by Ordinance No. 2012-16, such fee payments made for time periods on or after January 1, 2008, totaling \$1,374,684, must be refunded to the Street Fund from the SSWM Fund; and

WHEREAS, the City Council has determined that the SSWM Fund should refund payments to the Street Fund no later than the end of 2013; and

WHEREAS, refunding payments from the SSWM Fund to the Street Fund in 2013 will in effect create a short-term, interfund loan in an amount not to exceed \$1,374,684 from the Street Fund of the City with a due date no later than December 31, 2013; and

WHEREAS, the City has by Resolution No. 2008-14 sought to “establish conditions for the use of debt and to create procedures and policies that minimize the City's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting;” and

WHEREAS, the City has also 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 2008 GAAP BARS Manual, Volume 1, part 3, chapter 4, page 1, states that “the legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest (based on the external rate available to the municipality) to be paid to the lending fund;” 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 General

Fund of an interfund loan, primarily because an interfund loan entails no third-party transaction costs; 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 reduce the interest cost to the SSWM Fund by controlling repayments; and

WHEREAS, the Street Fund will be benefited by the interest rates of the interfund loan; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BAINBRIDGE ISLAND, WASHINGTON, AS FOLLOWS:

Section 1. Scheduled Repayment of Storm and Surface Water Management Fees to Street Fund. The Director of Finance shall cause the repayment of Storm and Surface Water fees paid by the Street Fund to the SSWM Fund no later than December 31, 2013.

Section 2. Authorization of Loan. The City's Director of Finance is authorized and directed, on the effective date of this resolution, to establish an interfund loan from the Street Fund to the SSWM Fund in the amount of \$1,374,684.

Section 3. Interest Payable to the Street Fund. Interest shall be computed monthly on the amount outstanding on the basis of a 365-day year for the actual number of days. The interfund loan shall bear interest at a rate equal to the City's weighted average investment net earnings rate for the preceding calendar month on investments in the Washington State Local Government Investment Pool and the Kitsap County Local Government Investment Pool. The City Council finds that the fixing of the interest rate as described in this Section 3 is reasonable and in the best interest of the City, its ratepayers and its taxpayers.

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 nor shall there be advance notice required for any prepayment.

Section 5. Reporting to City Council. The Director of Finance shall report quarterly to the City Council on the status of the loan and repayments as part of other financial reporting.

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

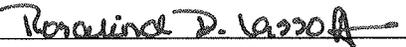
PASSED by the City Council this 19th day of December, 2012.

APPROVED by the Mayor this 19th day of December, 2012.



Debbi Lester, Mayor

ATTEST:



Rosalind D. Lassoff, City Clerk

FILED WITH THE CITY CLERK:	December 14, 2012
PASSED BY THE CITY COUNCIL:	December 19, 2012
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