RESOLUTION NO. 2010-17

A RESOLUTION of the City Council of the City of Bainbridge Island, Washington, amending Resolution No. 2010-17, providing for an extension of the scheduled repayment date to the short-term borrowing from the Water Fund to the Sewer Fund of the Consolidated Waterworks Utility.

WHEREAS, the City of Bainbridge Island, Washington (the "City") intends to manage it fiscal matters in a prudent manner; 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 Sewer Fund of an interfund loan, primarily because an interfund loan entails no third-party transaction costs; and

WHEREAS, the City, pursuant to Resolution No. 2009-13, had previously reviewed the financial position and its cash flow analysis for the Sewer and Water Funds of the Consolidated Waterworks Utility and determined it prudent for the Sewer Fund to engage in short-term borrowing of an amount not to exceed a principal amount of $3,000,000 from the Water Fund within the Consolidated Waterworks Utility of the City, with a scheduled repayment date of May 14, 2010, in order to continue the construction and related expenses of the Wastewater Treatment Plant Upgrade project and to address legal challenges brought forth by the Bainbridge Ratepayers Alliance; and

WHEREAS, the City, pursuant to Ordinance No. 2009-39, set Sewer Rates for 2010 through 2014 in accordance with the recommendations of the FCSGroup Rate Study and the Utility Advisory Committee with a deferral of the repayment of the interfund loan in order to mitigate the effect of necessary rate changes; and

WHEREAS, the City has determined that in order to continue to address legal challenges brought by ratepayers of the Consolidated Water Works Utility and be consistent with the recommendations of Ordinance No. 2009-39 and the recommendations of the Utility Advisory Commission, it will be necessary to extend the scheduled repayment date to May 13, 2011; and

WHEREAS, the use of an interfund loan continues to allow 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 Sewer Fund; and

WHEREAS, the City Council continues to find that it has exercised due regard for the maintenance and operation expense of the Water System and finds that the Water Fund revenues and cash balances are expected to be more than sufficient to meet all of the needs of the Water Fund through the loan period and has funds available to maintain the interfund loan balance as previously authorized; and

WHEREAS, the Water Fund of the Consolidated Waterworks Utility 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. Extension of the Scheduled Repayment Date. The City's Director of Finance is authorized and directed to extend the scheduled repayment date of the loan to May 13, 2011 as stated in Section 2 and this interfund lending authorization shall terminate on that date.

Section 2. Interest Payable to Water Fund. Interest shall continue to be computed monthly on the amounts outstanding on the basis of a 360-day year for the actual number of days at an annual rate equal to 25 basis points, plus the higher of the monthly net earnings rate for the preceding calendar month on investments in either (a) the Washington State Local Government Investment Pool, or (b) the Kitsap County Local Government Investment Pool. The City Council finds that the fixing of the interest rate set forth herein is reasonable and in the best interest of the City, its ratepayers and its taxpayers.

Section 3. 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 28th day of April 2010.

APPROVED by the Mayor this 28th day of April 2010.

Bob Scales, Mayor

ATTEST:

Rosalind D. Lassoff

Rosalind D. Lassoff, City Clerk

FILED WITH THE CITY CLERK:	April 2, 2010
PASSED BY THE CITY COUNCIL:	April 28, 2010
RESOLUTION NO.	2010-17