

RESOLUTION NO. 2009-04

A **RESOLUTION** of the City Council of the City of Bainbridge Island, Washington, providing for short term borrowing from the Winslow Water Fund of the Consolidated Waterworks Utility to the General Fund for 2009.

WHEREAS, the City of Bainbridge Island, Washington (the "City") intends to manage its fiscal matters in a prudent manner; and

WHEREAS, the City has by Resolution 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 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 its current financial position and its cash flow analysis for the fiscal year of 2009 and has determined that it would be prudent for the General Fund to engage in short-term borrowing in 2009 of an amount not to exceed \$600,000 from the Winslow Water Fund within the Consolidated Waterworks Utility of the City, with a scheduled repayment date of December 15, 2009, in order to ensure an adequate and more stable level of available cash to compensate for the wide monthly variations in receipts of property tax, grant reimbursements and other revenue sources, and to ensure that the General Fund has adequate cash on hand to pay expenses in the lower-revenue months of 2009; 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 City has approved recommendations for improving cash flow in its tax supported funds and to return its cash balances to a level which will support operations and budgetary reserves; 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 General Fund by controlling the draws and prepayments from month to month to ensure that the interest-bearing balance is not substantially in excess of that month's requirements; and

WHEREAS, the City Council finds that it has exercised due regard for the maintenance and operation expense of the Water System and finds that the Winslow Water Fund revenues and cash balances are expected to be more than sufficient to meet all of the needs of the Winslow Water Fund and will have funds available to make the interfund loan authorized herein; and

WHEREAS, the Winslow 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. Authorization of Loan. The City's Director of Finance is authorized and directed, on and after February 15, 2009, and from month to month thereafter until December 15, 2009, to cause the City's General Fund to borrow cash from the Water Fund of the Consolidated Waterworks Utility in one or more draws, where the outstanding principal amount of the loan shall at no time exceed \$600,000, and which may vary as determined by the said Director based on the Director's analysis of the cash needs of the General Fund from time to time between February 15, 2009 and the scheduled final repayment date in Section 2.

Section 2. Scheduled Repayment. The Director of Finance shall cause any and all outstanding balance of the said interfund loan to be repaid to the Water Fund by the General Fund on (and in no event later than) December 15, 2009, and this interfund lending authorization shall terminate on that date.

Section 3. Interest Payable to Water Fund. Each draw shall bear interest at the interest rate set forth in this section 3, which shall accrue from the date of that Draw and be adjusted monthly. Interest shall be computed monthly on the amounts outstanding on the basis of a 360-day year for the actual number of days. Each Loan draw shall bear interest 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 4. No Fees or Prepayment Penalties. Prepayments shall be permissible in the discretion of the Director of Finance, and there shall be no fees or prepayment penalties on inter-fund loans and, subject to the \$600,000 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 report monthly to the Council's Finance and Personnel Committee, from March through December 2009, the inter-fund loan reporting information shown on Exhibit A to this Resolution.

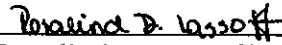
Section 6. Effective Date. This resolution shall be in full force and effect from and after its approval by the City Council until the date stated in Section 2.

PASSED by the City Council this 11th day of February, 2009.

APPROVED by the Mayor this 17th day of February, 2009.


Darlene Kordonowy, Mayor

ATTEST:


Rosalind D. Lassoff, CMC, City Clerk

FILED WITH THE CITY CLERK:	February 4, 2009
PASSED BY THE CITY COUNCIL:	February 11, 2009
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Sample Forms of Reports to City Council Finance and Personnel Committee

Report of Interfund Loan Draws and Repayments

Date	Draws	Repayments	Loan Principal Balance (Not to exceed \$600,000)
2/ __ /09			
12/15/09			\$0

Monthly Report of Interfund Loan

Date	Month-end Balance	Avg. Principal Balance For Month	Interest Rate For Month	Interest Amount For Month	Date of Int. Paymt. To Lender
2/28/09					
3/31/09					
4/30/09					
5/31/09					
6/30/09					
7/31/09					
8/31/09					
9/30/09					
10/31/09					
11/30/09					
12/31/09					