

## ORDINANCE NO. 10-953

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**A ORDINANCE OF THE CITY OF BLACK DIAMOND, WASHINGTON,  
PROVIDING FOR AN INTERFUND LOAN FROM THE WASTEWATER  
CAPITAL RESERVE FUND TO THE WATER CAPITAL RESERVE  
FUND TO PROVIDE FUNDING FOR THE WATER METER  
REPLACEMENT PROJECT; PROVIDING FOR REPAYMENT; AND  
PROVIDING FOR TERMINATION**

**WHEREAS**, the City previously determined that several water meters were not reading consumption accurately or were failing entirely and should be converted to a modern drive-by meters; and

**WHEREAS**, the proposed meter replacement and conversion (the “Project”) would ensure accurate measurement of water usage which would stabilize revenue and provide for more equitable billing, and would improve staff efficiency by decreasing meter reading time; and

**WHEREAS**, the City issued a request for proposals for a meter reading system and awarded a contract with Resolution 09-914 to United Pipe and Supply to complete the Project over a three year period, and

**WHEREAS**, the City anticipated using funds in the water capital reserve fund; and

**WHEREAS**, the Water Capital Reserve Fund currently lacks sufficient cash due to the lack of revenue the last two years from new construction of homes and Connection Fees to fund all of the costs of this Project; 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 of an interfund loan, primarily because an interfund loan entails no third-party transaction costs; and

**WHEREAS**, the use of an interfund loan also saves money from the lower interest rates of the Washington Investment Pool (LGIP) compared to commercial rates; and

**WHEREAS**, the City Council finds that it has exercised due regard for the maintenance and operation expense of the Sewer System and finds that the Sewer system revenues and cash balances are expected to be more than sufficient to meet all of the capital and operating needs of the Sewer Fund for the next five years and thus has funds available to make the interfund loan authorized herein, and

**WHEREAS**, the wastewater capital reserve fund of the Sewer Utility will be benefited by the interest rates of the interfund loan; and

**WHEREAS**, the Water Operating Fund will utilize its operating revenue to make the annual debt payments until the loan is paid in full,

**WHEREAS**, the 2010 Cash BARS Manual, Volume 1, part 3, chapter 4, page 1, states that "[t]he legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, indicating the lending fund, 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 Council desires to authorize an interfund loan from the Wastewater Capital Reserve Fund to the Water Capital Reserve Fund in an amount not to exceed \$230,000 to be repaid in five equal payments beginning in December 2011 and continuing until the loan is paid on or before the 31st day of December, 2015 and at an external interest rate as is available to the City through the Washington State Local Government Investment Pool;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, DOES RESOLVE AS FOLLOWS:**

**Section 1. Loan Authorization.** The City's Director of Finance is authorized, on and after the 17th day of December, 2010, a loan of \$230,000 from the Wastewater Capital Reserve Fund to the Water Capital Reserve Fund for the water meter project;

**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 Sewer Capital Reserve Fund by the Water Operating Fund in accordance with the schedule below and in no event later than the 31st day of December, 2015, and this interfund lending authorization shall terminate on that date. The Interfund loan will be repaid in five equal annual payments, with each payment due in December of each year. The first payment shall be due in December, 2011.


**Section 3. Interest Payable to Water Fund.** The interest shall be paid annually bases on Washington State Investment Pool (LGIP) rates on the annual outstanding balance. The City Council finds that the fixing of the interest rate set forth herein is reasonable and in the best interest of the City and its ratepayers.

**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 interfund loans and, subject to the **\$230,000** 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.

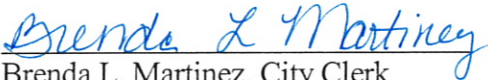
**Section 5. Accounting Records.** The Director of Finance is authorized and directed to keep and maintain appropriate accounting records to reflect the balance of the interfund loans affected by the transaction authorized herein.

**PASSED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 16<sup>TH</sup> DAY OF DECEMBER, 2010.**

CITY OF BLACK DIAMOND

  
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Rebecca Olness, Mayor

ATTEST/AUTHENTICATED:

  
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Brenda L. Martinez, City Clerk

Approved as to form:

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Chris Bacha,  
Kenyon Disend, PLLC  
City Attorney

Filed with the City Clerk:  
Passed by the City Council: 12/16/2010  
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