

## ORDINANCE NO. 16-1078

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**A ORDINANCE OF THE CITY OF BLACK DIAMOND, WASHINGTON, PROVIDING FOR AN INTERFUND LOAN FROM THE SEWER CAPITAL AND RESERVE FUND TO THE EQUIPMENT REPLACEMENT FUND TO PROVIDE FUNDING FOR THE REPLACEMENT OF FOUR POLICE VEHICLES IN 2017; PROVIDING FOR REPAYMENT; AND PROVIDING FOR TERMINATION**

**WHEREAS**, in 2006 the City of Black Diamond established a cycle to replace vehicles on a scheduled basis but due to budget constraints were not able to follow the scheduled replacement for over four years; and

**WHEREAS**, the Police Department has identified the need to replace four police vehicles in 2017, several vehicles with over 120,000 miles and currently having costly repair bills; and

**WHEREAS**, replacement of the four police vehicles in January 2017 will provide police officers with reliable vehicles in order to respond to emergencies and will save the city money currently being spent in costly repair bills and significant staff time transporting these vehicles; and

**WHEREAS**, the City included the cost of the four police replacement vehicles in the 2017-2022 Capital Improvement Plan (item L-2) and in the 2017 Preliminary Budget, and

**WHEREAS**, from the time of order to the time of delivery of the vehicles is estimated between 90 to 120 days; and

**WHEREAS**, the Equipment Replacement Fund for police lacks sufficient cash to pay for four police vehicles in 2017 due to previous budget constraints; 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 expense of the Sewer Capital and Reserve Fund and finds that the Sewer connection charges and miscellaneous Sewer Capital Revenues, cash and investment balances and interfund loan repayments are expected to be more than sufficient to cover the cash flow needs of the Sewer Capital and Reserve Fund for the next five years and thus has funds available to make the interfund loan authorized herein; and

**WHEREAS**, the Sewer Capital Reserve Fund of the Sewer Utility will be benefited by the

interest rates of the interfund loan; and

**WHEREAS**, the Equipment Replacement Fund will utilize police equipment replacement cash and investment balance, Revenue from sale of surplus Police vehicles, and revenue designated from a portion of the city’s Real Estate Excise Tax each year to make the annual debt and interest payments until the loan is paid in full; and

**WHEREAS**, the 2016 Cash BARS Manual, chapter 4, section 3.9.1.20 Interfund Activities – Loans, states that "the legislative body of a local Government must, by ordinance or resolution, approve all interfund loans, indicating the lending fund and borrowing funds, 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 local government) to be paid to the lending fund. The planned schedule of repayment should specify the due date(s) of payment(s) needed to repay the principal and interest on the loan."; and

**WHEREAS**, the City Council desires to authorize an interfund loan in January 2017 from the Sewer Capital Reserve Fund to the Equipment Replacement Fund in an amount not to exceed \$160,000 to be repaid in five equal payments beginning in December 2018 and continuing each December thereafter until the loan is paid on or before the 31st day of December, 2022 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, DO ORDAIN AS FOLLOWS:**

**Section 1. Loan Authorization.** The City's Director of Finance is authorized, on and after the 1st day of January, 2017, to record a loan of \$160,000 from the Sewer Capital and Reserve Fund to the Equipment Replacement Fund for the replacement of four aged police vehicles;

**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 Equipment Replacement Fund in accordance with the schedule herein and in no event later than the 31st day of December, 2022, 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 2018.


**Section 3. Interest Payable to Sewer Capital & Reserve Fund.** The interest shall be paid annually based on Washington State Investment Pool (LGIP) rates on the annual outstanding balance. The City Council finds that 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 \$160,000 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 15<sup>TH</sup> DAY OF DECEMBER, 2016.**

CITY OF BLACK DIAMOND

  
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Carol Benson, Mayor

ATTEST/AUTHENTICATED:

  
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Brenda L. Martinez, City Clerk

Approved as to form:

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David Linehan,  
Kenyon Disend, PLLC  
City Attorney

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