ORDINANCE NO. 4248

AN ORDINANCE of the City Council of the City of Kent, Washington, authorizing interfund loans of municipal monies to comply with RCW 43.09.210 and providing for accounting procedures when interfund loans are made.

RECITALS

A. Rather than issuing outside debt to meet short-term cash flow needs or to fund certain capital improvements, the city may issue interfund loans in accordance with RCW 43.09.210 and the city’s finance policies.

B. The city’s finance department is charged with ensuring compliance with all debt management policy requirements and protecting the city’s financial integrity.

C. This ordinance permits the finance director and the mayor to authorize short-term interfund loans without council approval in accordance with the city’s finance policies.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENT, WASHINGTON, DOES HEREBY ORDAIN AS FOLLOWS:

ORDINANCE

SECTION 1. - Amendment. Section 3.40.040 of the Kent City Code, entitled "Interfund loans," is amended as follows:

Amend KCC 3.40.040 - Re: Interfund Loans
Sec. 3.40.040. Interfund loans.

A. Authorization. The city council does hereby authorize the finance director, or his designee, to make interfund loans of those municipal monies which are otherwise legally available for investment purposes; where such loans would be necessary to ensure compliance with the provisions of RCW 43.09.210.

B. Procedures. The following procedures shall be used for the establishment and accounting of all interfund loans made pursuant to this section:

1. The city council by ordinance or resolution shall approve all interfund loans and provide in the authorization a planned schedule of repayment of the loan principal and shall set a reasonable rate of interest (based upon the external rate available to the municipality) to be paid to the lending fund. The finance director has the authority to approve short-term interfund loans for a period not to exceed three (3) calendar months. The Mayor has the authority to approve loans for a period not to exceed twelve (12) calendar months. Interfund loans made for a period exceeding one (1) year must be approved by the council through ordinance or resolution.

2. Interfund borrowing will bear interest based upon at least the prevailing Local Government Investment Pool rate. Interest shall will be charged in all cases unless:

   a. The borrowing fund has no independent source of revenue other than the lending fund;
b. The borrowing fund is normally funded by the lending fund; or

c. The lending fund is the general fund, which, being unrestricted, can loan interest free, except to a proprietary fund.

3. The borrowing fund must anticipate sufficient revenues to be in a position over the period of the loan to make the specified principal and interest payments as required in the authorizing ordinance. The issuance of an interfund loan will be permissible only after the finance director has conducted an analysis of the loaning fund which indicates that excess funds are available and the use of the funds will not impact the loaning fund’s current operations or constitute a permanent diversion of funds.

4. The term of loan should whenever practicable be restricted to a period of one (1) year, but in no case will the term of loan exceed three (3) years, except for those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.

45. Only that portion of a given fund which, in the prudent management of municipal finances as determined by the finance director, is clearly inactive or in excess of current needs may be loaned to other municipal funds or invested.

56. Appropriate accounting records shall be maintained to reflect the balances of loans payable and receivable in every fund affected by such transactions.

SECTION 2. – Severability. If any one or more section, subsection, or sentence of this ordinance is held to be unconstitutional or invalid, such
decision shall not affect the validity of the remaining portion of this ordinance and the same shall remain in full force and effect.

**SECTION 3. - Corrections by City Clerk or Code Reviser.** Upon approval of the city attorney, the city clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; ordinance, section, or subsection numbering; or references to other local, state, or federal laws, codes, rules, or regulations.

**SECTION 4. - Effective Date.** This ordinance shall take effect and be in force thirty (30) days from and after its passage, as provided by law.

ATTEST:

SUZETTE COOKE, MAYOR PRO TEM

DENNIS HIGGINS

KIMBERLEY A. KOMOTO, CITY CLERK

APPROVED AS TO FORM:

TOM BRUBAKER, CITY ATTORNEY
PASSED: 20 day of June, 2017.
APPROVED: 20 day of June, 2017.
PUBLISHED: 23 day of June, 2017.

I hereby certify that this is a true copy of Ordinance No. 4248 passed by the City Council of the City of Kent, Washington, and approved by the Mayor of the City of Kent as hereon indicated.

Kimberley A. Komoto
(SEAL)
KIMBERLEY A. KOMOTO, CITY CLERK