

RESOLUTION NO. 10-06

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT AUTHORIZING AN INTERFUND LOAN FROM
THE WASTEWATER CIP FUND**

WHEREAS, the Board of Directors of the Rainbow Municipal Water District (the "District") desires to complete certain high priority water service improvement projects; and

WHEREAS, the District has a backlog of planned improvement projects and insufficient cash reserves; and

WHEREAS, the District currently does not have adequate funding available for high priority water service infrastructure projects; and

WHEREAS, the District's Wastewater Capital Improvement Projects ("CIP") Fund currently contains approximately \$19,202,392.00, about 83% of which is derived from sewer capacity charges and interest thereon; and

WHEREAS, many of the Wastewater CIP projects may be deferred for several years, and are a lower priority than the water service improvement projects; and

WHEREAS, the District desires to ensure that a temporary funding mechanism is in place to allow for completion of high priority projects; and

WHEREAS, the December 2009 failure of water Line Q-3, a 22-inch water line which passes under the San Luis Rey River and is vital to the District's operations, caused disruption to water service. The District desires to ensure that the necessary replacement or repairs to Line Q-3, a high priority project, are completed;

NOW THEREFORE, BE IT RESOLVED:

1. The General Manager or his designee is hereby authorized to transfer funds of up to \$2,500,000 from the Wastewater CIP Fund to water-related improvement projects, in the form of a loan (the "Wastewater CIP Loan"). The District shall account for the Wastewater CIP Loan in a manner to ensure that all funds are fully repaid with interest as specified herein.

2. The Wastewater CIP Loan shall only be utilized to fund the following improvement project: Line Q-3 replacement or repairs as determined necessary by Engineering.

3. The Wastewater CIP Loan shall be repaid no later than March 1, 2015, unless otherwise revised by the Board.

4. The Wastewater CIP Loan shall be repaid with interest at a rate of not less than 2.5%, which is the rate that the loan amount would have earned had it remained in the Wastewater CIP Fund.

5. In order to repay the Wastewater CIP Loan, the District may use water service revenues, grants, loans, taxes or any other funds obtained by the District which may be used for water projects.

6. The District shall include information about the Wastewater CIP Loan as part of its annual reporting for capacity charge collection, or in the District's annual financial report.

PASSED AND ADOPTED on the 23rd day of March, 2010, by the following vote:

AYES: Directors Griffiths, Lucy, McManigle, Petty, and Walson
NOES: None
ABSENT: None
ABSTENTIONS: None

RAINBOW MUNICIPAL WATER DISTRICT

By: _____
Rua Petty, President of the Board of Directors

Attest:

By: _____
Dawn Washburn, Board Secretary