

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

680



FROM: Executive Office

SUBMITTAL DATE:
July 28, 2011

SUBJECT: Temporary Assistance to the City of Jurupa Valley from the County of Riverside

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the request by the City of Jurupa Valley for a temporary loan to be paid back by June 30, 2012, with interest in the amount of \$1,737,000 from the general fund to the City of Jurupa Valley in accordance with the California Government Code Section 23010.2, and
2. Approve and authorize the Chairman to execute the attached agreement (Attachment A).

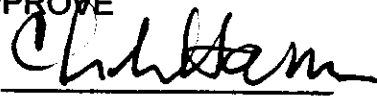
BACKGROUND: The county has received a request by the City of Jurupa Valley for a loan in the amount of \$2,000,000 to cover pre-incorporation expenses for consultants and post-incorporation operating expenses as the city does not anticipate sufficient revenue to cover costs for at least three quarters (Attachment B).


Tina Grande, Principal Management Analyst

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner DATE: 8/11/11
DALE A. GARDNER

FINANCIAL DATA	Current F.Y. Total Cost:	N/A	In Current Year Budget:	No
	Current F.Y. Net County Cost:	N/A	Budget Adjustment:	No
	Annual Net County Cost:	N/A	For Fiscal Year:	2011-2012

SOURCE OF FUNDS: General Fund Cash Balance	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE
BY: 
County Executive Office Signature Christopher M. Hans

Policy
 Policy
 Consent
 Consent
 Dept't Recomm.:
 Per Exec. Ofc.:

Prev. Agn. Ref.: | District: 2 | Agenda Number: **3.111**
ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

RE: Loan Agreement Between the City of Jurupa Valley and the County of Riverside

Date: July 28, 2011

Page 2

California Government Code Section 23010.2 allows for the Board of Supervisors to loan any city within the county's jurisdiction an amount up to eighty-five percent of the city's anticipated revenues. The city must be incorporated for less than a year and the loan must be repaid within the fiscal year in which it was made. The city meets the required criteria and the agreement being considered follows state law.

The Executive Office recommends that the Board approve a loan in the amount of \$1,737,000, which excludes pre-incorporation debt payment to consultants, but funds current operational expenses. The amount is less than eighty-five percent of expected revenues. The expected revenue amount has been adjusted due to the loss of the vehicle license fees. Repayment is due on or before June 30, 2012. The City will be charged at the County Treasurer's Pooled Investment Fund rate (Pool Rate). Interest will be accrued monthly at the published Pool Rate on any unpaid balance owed to the County. These terms are all in-line with the terms of the loan in the amount of \$100,000 previously made to the City of Eastvale in FY 2010-11.

The agreement has been approved as to form by County Counsel.

LOAN AGREEMENT

This Loan Agreement ("Agreement") is executed as of _____, 2011, between the City of Jurupa Valley, a municipal corporation of the State of California ("City"), and the County of Riverside, a political subdivision of the State of California ("County").

RECITALS

A. The County and the City wish to enter into this Agreement to secure a short-term loan to the City of \$1,737,000 for fiscal year 2011-2012.

B. Pursuant to California Government Code Section 23010.2 the board of supervisors of a county may loan to any city within its limits which has been incorporated for less than one year an amount not exceeding eighty-five percent of the city's anticipated revenues for the fiscal year in which such loan is made. Such loan shall be repaid within the fiscal year in which made.

C. The City has been incorporated for less than one year and is located within the geographical limits of the County.

D. The loan amount of \$1,737,000 is to be repaid no later than June 30, 2012 and represents an amount less than eighty-five percent of the City's anticipated revenues of the 2011-2012 fiscal year.

E. The City will use the loaned funds to provide normal operating expenses of the City and to provide essential services within the City's geographical limits.

NOW THEREFORE in exchange of the mutual promises set-forth below and for other valuable consideration which is hereby acknowledged, the County and the City hereby agree as follows:

1. Loan. Subject to the terms of this Agreement, County agrees to make and City agrees to take a loan in the principal amount of One Million, Seven Hundred and Thirty-Seven Thousand Dollars (\$1,737,000) (the "Loan") the proceeds of which shall be used by the City to provide normal operating expenses of the City and to provide essential services within the City's geographical limits and/or to provide for any other purpose authorized by law.

2. Disbursement. County will transfer \$1,737,000 to the City within two weeks of the final execution of this Agreement by the County and City; provided the City has complied with all County accounting requirements; including, but not limited to, providing a Tax Identification Number.

3. Repayment. It is understood and agreed that the Loan is a short-term loan that must be repaid in full within the 2011-2012 fiscal year. The loan shall be repaid in full by the City no later than June 30, 2012.

4. Interest. The City agrees to compensate the County for the loss of investment earnings by paying interest equal to the monthly published County Treasurer's Pooled Investment Fund rate (the "Pool Rate") for each month until the loan is repaid. The Pool Rate is the rate that the County applies to the City's funds on deposit with the County. Interest will begin to accrue on the date of the disbursement and transfer of the loan amount to the City. Interest will be accrued monthly at the published Pool Rate on any unpaid balance owed to the County.

5. Remedies Upon Default. If the City fails to make payment of principal or interest when due the County shall have the right to declare the outstanding principal balance together with accrued interest thereon to be immediately due and payable in full. The County's rights and remedies under this Agreement are cumulative and in addition to all other rights and remedies provided by law from time to time.

6. Mutual Indemnity. The parties agree to defend, indemnify, and save and hold harmless each other, their elected officials, employees, contractors and agents from and against all claims, demands, actions, losses, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) arising from or relating to the making of the Loan except to the extent that such claim, demand, action, loss, liability, cost or expense is caused by the sole or active negligence of the other party. These mutual indemnity provisions shall survive the discharge, cancellation, or other termination of this Agreement.

7. Administration. The County Executive Officer of the County, or his designee, shall administer this Agreement on behalf of the County. Any notice or correspondence required or contemplated by this Agreement shall be delivered to the County at the following address: County of Riverside 4080 Lemon Street, 4th Floor, Riverside, CA 92501 Attn: Tina Grande.

8. No Third Parties Benefited. The Agreement is made for the purpose of setting forth the rights and obligations of the County and the City and no other person shall have any rights hereunder or by reason hereof.

9. Binding Effect; Assignment of Obligations. This Agreement shall bind, and shall inure to the benefit of, City and County and their respective successors and assigns. City shall not assign any of its rights or obligations under this Agreement without the prior written consent of County. Any such assignment without such consent shall be void.

10. Counterparts. This Agreement may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

11. Merger. This Agreement contains the entire agreement between the County and the City with respect to the Loan, and all prior negotiations, understandings and agreements are superseded by this Agreement and merged herein.

12. Amendment. This Agreement shall not be modified except by written consent of the parties. No modification shall be effective unless signed by the party against whom enforcement of such modification is sought.

13. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

14. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, County and City have caused this Agreement to be duly executed as of the date first written above.

CITY OF JURUPA VALLEY

By _____

ATTEST:
City Clerk

By _____
Clerk

COUNTY OF RIVERSIDE

By _____
Chairperson, Board of Supervisors

ATTEST:
Kecia Harper-Ihem, Clerk of the Board

By _____
Deputy

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner 8/14/11
DALE A. GARDNER DATE

City of Jurupa Valley

Laura Roughton, Mayor . Verne Lauritzen, Mayor Pro Tem . Micheal Goodland,
Council Member . Frank Johnston, Council Member . Brad Hancock, Council Member

July 25, 2011

Mr. Bill Luna, Chief Executive Officer
County of Riverside
4080 Lemon Street, 4th Floor
Riverside, CA 92501

SUBJ: CITY OF JURUPA VALLEY REQUEST FOR CASH FLOW LOAN

Dear Mr. Luna:

As a follow up to our meeting with your staff on July 19, 2011, the City of Jurupa Valley would like to provide the following information and our request for consideration of a cash flow loan for the current fiscal year.

As you know, with newly incorporated cities, revenues are not received in the early months at a sufficient level to support the startup costs required to ensure the city is legally operational and functional. As a result of this dynamic, newly incorporated cities generally experience significant cash flow issues during the first 6 months, until some of the more significant revenues begin to materialize such as sales tax and franchise fees. This results in a new city having significant accrued start up and ongoing expenditures for which it has insufficient funds to pay in a timely manner.

As outlined in our Fiscal Year 2011-2012 Transition Year budget, we have anticipated utilizing county services to the greatest extent and cost effective approach possible, with a graduated transition of service provision to the City over the course of the fiscal year. The city has entered into several "best efforts" agreements with consultants to provide pre-incorporation start up and post incorporation transitional staffing and services, with reimbursement predicated on timely receipt of revenues during the first month or two of the fiscal year. Our total General Fund budgeted expenditures is approximately \$4.9 million representing only 15.4 FTEs of staffing support, and other related Operations & Maintenance costs.

In our case, it had been anticipated that a significant portion of Motor Vehicle License Fee (MVLF) revenue was to be apportioned to the City in a lump sum payment during August. This would have provided sufficient cash flow to fund our first six months of operation. However, the recent decision by the state to divert MVLF revenue from cities to the state in an effort to balance their budget, has now deferred indefinitely apportionment of that revenue.

8304 Limonite Avenue, Suite M, Jurupa Valley, CA 92509-5183, (951) 332-6464
www.jurupavalley.org

As a result of the unanticipated loss of the MVLF revenue, we have now projected our first year (transition year) monthly General Fund cash flow as follows:

GENERAL FUND

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Monthly Cash Flow</u>	<u>Cumulative Balance</u>
Jul	90,000	5,625	84,375	84,375
Aug	170,839	709,611	(538,772)	(454,397)
Sep	170,839	391,614	(220,775)	(675,172)
Oct	320,839	391,614	(70,775)	(745,947)
Nov	164,274	391,614	(227,340)	(973,287)
Dec	572,920	391,614	181,306	(791,981)
Jan	722,920	391,614	331,306	(460,675)
Feb	709,135	391,614	317,521	(143,154)
Mar	724,269	391,614	332,655	189,501
Apr	1,280,560	391,614	888,946	1,078,447
May	732,570	391,614	340,956	1,419,403
Jun	747,704	391,614	356,090	1,775,493
Total	<u>6,406,869</u>	<u>4,631,376</u>		<u>1,775,493</u>

Note- Revenues listed in the month received, Expenditures listed in the month paid.

We now anticipate ending the fiscal year with an approximate \$2.8 million reserve, after accrued revenues, most notably sales tax, and expenditures are booked at fiscal year closeout in August of 2012. However, sufficient revenues will not be received in the early part of this fiscal year in a timely basis to meet our current accrued expenditures payable and future ongoing monthly expenses until the month of February 2012 when the cumulative fund balance returns to positive.

To meet our current and future obligations, and in consideration of the cash flow projections above, we are respectfully requesting that the Riverside County Board of Supervisors consider providing the City an immediate loan in the amount of \$2 million to be used exclusively for meeting our current cash flow requirements. The requested loan funds will be used to pay for pre-incorporation costs and ongoing operational costs.

Our understanding is that any loan the County may provide must be repaid within the current fiscal year.

The City of Jurupa Valley also understands that the County is operating under significant financial constraints. In consideration of this, we propose to repay the loan with interest at the Local Agency Investment Fund (LAIF) rate (as determined quarterly) plus 50 basis points. The loan will be repaid no later than June 30, 2012.

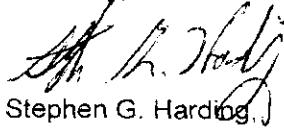
The City of Jurupa Valley is excited to be the newest city in Riverside County, and looks forward to our continued excellent working relationship with Riverside County as we progress through our formative years and well into the future. We have completed the

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initial phases of establishing the structure of the city and are fully engaged in the transition process. Thank you for your consideration of our request, and look forward to hearing from you soon.

Please feel free to contact me with any questions or for additional information you may need at (951) 332-6464 or sharding@jurupavalley.org

Sincerely,



Stephen G. Harding
City Manager

Attachment: Detail Cash Flow Analysis

Cc: Ms. Tina Grande, Riverside County Executive Office
Supervisor John Tavaglione

City of Jurupa Valley
Fiscal Year 2011/2012 Cash Flow Analysis

GENERAL FUND

REVENUES										EXPENDITURES					
Dev Fees	Sales Tax	MV/LF	Prop Trans Tax	IOI	Franchise Fees	Other Rev	Transfers	Total Revenue	Staff	M&O	Lease & Utilities	Pre-Incorporation	Total Expenditures	Monthly Cash Flow	Cumulative Balance
90,000	0	0	0	0	0	0	0	90,000	0	0	5,625	0	5,625	84,375	84,375
90,000	0	0	15,342	12,403	0	23,435	29,659	170,839	290,986	150,000	5,625	263,000	709,611	(538,777)	(454,387)
90,000	0	0	15,342	12,403	150,000	23,435	29,659	320,839	290,986	95,003	5,625	0	391,614	(220,775)	(675,172)
60,000	0	0	15,342	12,403	0	46,870	29,659	164,274	290,986	95,003	5,625	0	391,614	(70,775)	(745,947)
60,000	408,646	0	15,342	12,403	0	46,870	29,659	572,920	290,986	95,003	5,625	0	391,614	(227,340)	(973,287)
60,000	408,646	0	15,342	12,403	150,000	46,870	29,659	722,920	290,986	95,003	5,625	0	391,614	181,306	(791,981)
60,000	544,861	0	15,342	12,403	0	46,870	29,659	709,135	290,986	95,003	5,625	0	391,614	331,306	(460,675)
60,000	559,995	0	15,342	12,403	684,205	46,870	29,659	724,269	290,986	95,003	5,625	0	391,614	317,521	(143,154)
60,000	408,646	0	15,342	12,403	0	70,305	29,659	1,280,560	290,986	95,003	5,625	0	391,614	332,655	189,501
60,000	544,861	0	15,342	12,403	0	70,305	29,659	732,570	290,986	95,003	5,625	0	391,614	886,946	1,078,447
60,000	559,995	0	15,342	12,403	0	70,305	29,659	747,704	290,986	95,003	5,625	0	391,614	340,956	1,419,403
Total								6,406,869					4,631,376		1,775,483

Note- Revenues listed in the month received, Expenditures listed in the month paid.
Note- Totals do not include accrued revenues received after June 30, 2012, or accrued expenditures paid after June 30, 2012