

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

576



SUBMITTAL DATE:
January 9, 2013

FROM: Executive Office

SUBJECT: Resolution No. 2013-049 Authorizing Deferral of Sheriff Costs to the City of Jurupa Valley and Conditionally Approving the Extension of Certain Payments to be Made by the City of Jurupa Valley to the County of Riverside.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Reaffirm that the county will continue to work with the Governor and the Legislature to sponsor or support legislation that will restore the loss of VLF revenue to the four newly incorporated cities within Riverside County;
2. Adopt Resolution No. 2013-049, deferring payment in the amount of \$6,019,496 in sheriff costs to the City of Jurupa Valley and conditionally approving the extension of certain payments to be made by the City of Jurupa Valley to the County of Riverside (Attachment A);
3. Approve and authorize the chairman to sign the attached agreement between the County of Riverside and the City of Jurupa Valley (Attachment B); and,
4. Approve and direct the Auditor-Controller to make the budget adjustments as shown in Attachment C.

BACKGROUND: Recently, Riverside County has entered into both formal and informal discussions with the newest cities that are requesting assistance during the economic downturn.

Continued on Page 2

Tina Grande
TINA GRANDE
 Principal Management Analyst

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 6,019,496	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 6,019,496	Budget Adjustment:	Yes
	Annual Net County Cost:	\$ 0	For Fiscal Year:	12/13-22/23

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

C.E.O. RECOMMENDATION:

APPROVE
 BY: *George A. Johnson*
 George A. Johnson

County Executive Office Signature

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 BY: *Samuel Wong* 2/19/13
 SAMUEL WONG
 FORM APPROVED COUNTY COUNSEL
 DATE: 2/19/13
 BY: *Matthew Gardner*
 MATTHEW GARDNER
 Department of Administration
 Dept't Recomm.:
 Per Exec. Ofc.:

Policy
 Policy
 Consent
 Consent

RE: Resolution No. 2013-049 Authorizing Deferral of Sheriff Costs to the City of Jurupa Valley and Conditionally Approving the Extension of Certain Payments to be Made by the City of Jurupa Valley to the County of Riverside.

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BACKGROUND continued: The City of Jurupa Valley has approached the County requesting assistance due to the impact the passage of Senate Bill 89 (SB 89) has had on the city, which resulted in the loss of Vehicle License Fee (VLF) revenue. Specifically, the city is requesting assistance for cash flow purposes in order to bridge the funding gap caused by the loss of this revenue. The city reports that in FY 11/12, the city lost approximately \$6.7 million with an additional loss of \$6.5 million this fiscal year. The city states that the city is "unsustainable without assistance of both the state and the county." The city is requesting a mutually acceptable agreement between the county and the city, which will allow the city to remain incorporated and provide essential public safety services while working on the restoration of funding.

A report on the impact of SB 89 was provided to the Board of Supervisors on September 13, 2011 (Item 3.16). The Board approved the recommendation that a state legislative solution should be the primary focus of both the cities and the county. On September 19, 2012, Governor Brown vetoed Assembly Bill 1098 (AB 1098), which would have restored funding to the new cities. On January 7, 2013, Senate Bill 56 (SB 56) was introduced by Senators Roth and Emmerson, which proposed to restore funding to the four new cities in Riverside county. With the passage of Proposition 30 last November, legislative counsel has recently determined that the VLF funds sought in SB 56 are constitutionally protected and no longer available. Senator Roth continues to work on this issue with the administration. It is likely that any proposed fix will have to become part of the budget. In the meantime, the county is continuing to provide support for any new legislation by working with the California State Association of Counties (CSAC), county lobbyists, and the local legislative delegation.

Although a legislative solution appears possible, the City of Jurupa Valley has informed the county that they will likely default on their current and future obligations to the county. Specifically, the city staff has informed the Executive Office that they cannot pay for sheriff services already provided to the city this fiscal year. Due to the immediate potential for default, the Executive Office is compelled to bring forward an option to the Board for discussion.

Resolution No. 2013-049 outlines a response to the city's proposal (Attachment D). The terms are as follows:

- Defer six months of FY 12/13 Sheriff Costs in the amount of \$6,019,496, with repayment consisting of eight equal annual payments, plus CPI, beginning FY 15/16 and ending FY 22/23. Government Code Section 57384(c) authorizes the county to extend sheriff services beyond the transition year.
- Defer three years of Revenue Neutrality Payments In the amount of \$6,050,000, with repayment consisting of five equal annual payments, plus CPI, beginning 60 days after the end of FY 15/16 and ending 60 days after the end of FY 19/20. Government Code Section 56815, as well as the Revenue Neutrality Agreement, authorizes the County to renegotiate the Revenue Neutrality Agreement.

RE: Resolution No. 2013-049 Authorizing Deferral of Sheriff Costs to the City of Jurupa Valley and Conditionally Approving the Extension of Certain Payments to be Made by the City of Jurupa Valley to the County of Riverside.

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- Extend repayment of General Fund Transition Year Costs in the amount of \$6,483,443, consisting of eight equal annual payments, plus CPI, beginning FY 15/16 and ending FY 22/23. Repayment of Non-General Fund Transportation Services in the amount of \$2,540,175 will remain as June 30, 2016. Government Code Section 57384(b) authorizes the county to agree to a longer term of repayment of transition year costs.

The total deferred amount is \$18,552,939. Any deferred amount will be subject to interest in the amount of the California Consumer Price Index (CPI). The graph (Attachment E) shows the cumulative carry of amount deferred.

As previously stated, the city is requesting an agreement that is mutually agreeable to both parties. As partial consideration for the immediate transfer of approximately \$6 million from contingency to cover actual expenses incurred by the city and waiving the on time payment terms in the amount approximately \$12 million to a total of \$18 million, the county is requesting full and final resolution of issues regarding billings, data collection, and any other aspects surrounding the incorporation, transition year, and revenue neutrality. The county does; however, contend that all practices were valid.

There are some statements in the letter from the city which should be addressed. With regard to Fire, the city states that the county has reduced Fire Protection Services in the city. Below are their statements and the county's response:

1. *Defunding the 50% Shared Truck Company at Station 38 (Rubidoux)*

County Response: The county was never responsible for Truck 38, and had no control over its defunding. In fact, County Fire recommended against the defunding the Truck Company 38. Fire 38 was never part of the original LAFCO request. Fire as Rubidoux CSD is a stand-alone entity with separate jurisdictional boundaries from County Fire.

2. *Replaced an Engine Company with a Paramedic Unit at Station 18.*

County Response: The county did reduce from a 3-person paramedic engine to a 2-person paramedic squad, which was a part of the budget reduction plan approved by the BOS. During winter and non-fire season, the squad goes back up to a 3-person paramedic engine. The County has enhanced some services to off-set this change. These offsets include:

- Providing a paramedic post position on Truck 17, Glen Avon Fire Station on San Sevaine within the City.
- Changing to municipal staffing configuration (Fire Captain, Fire Apparatus Engineer & Firefighter with one being a paramedic) at Fire Stations 16 (Pedley) and 17 Glen Avon all within the City.

Fire Support Actual (FY 11/12)	\$ (5,695,188)
Fire Tax Actual (FY 11/12)	<u>1,966,426</u>
Net to the County (loss)	\$ (3,728,762)

RE: Resolution No. 2013-049 Authorizing Deferral of Sheriff Costs to the City of Jurupa Valley and Conditionally Approving the Extension of Certain Payments to be Made by the City of Jurupa Valley to the County of Riverside.

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The city also makes a statement that the county benefited from revenue neutrality relief. The law governing Revenue Neutrality states that any proposal "that includes an incorporation should result in a similar exchange of both revenue and responsibility for service delivery among the county, the proposed city and other subject areas" (§56815(a)). LAFCO is prohibited by Government Code §56815(b) from approving an incorporation proposal unless it finds revenues and expenditures "substantially equal" unless: 1.) both (or all if more than one jurisdiction is involved) parties agree to the proposal's fiscal effects; and 2.) "The negative fiscal effect has been adequately mitigated . . ." through a mitigation agreement that all parties endorse. The mitigation agreement can include the following: tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to §56886 with regard to Revenue Neutrality. The county worked with the proponents and agreed to a reduced mitigated amount. This was in addition to keeping the responsibility for fire services.

If the Board of Supervisors chooses to adopt Resolution No. 2013-049, then the Board needs to take action to approve the budget adjustment (Attachment C) in order for the Sheriff's department to be compensated for services provided.

The resolution and agreement have been approved as to form by County Counsel.

ATTACHMENT A

Board of Supervisors

County of Riverside

RESOLUTION NO. 2013-049

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE
APPROVING AN AGREEMENT AUTHORIZING THE CONDITIONAL DEFERRAL OF SHERIFF
COSTS AND CONDITIONALLY APPROVING THE EXTENSION OF TRANSITION YEAR
SERVICES AND THE EXTENSION OF CERTAIN PAYMENTS TO BE MADE BY THE CITY OF
JURUPA VALLEY TO THE COUNTY OF RIVERSIDE

WHEREAS, the City of Jurupa Valley (the "City") has requested that the County Board of Supervisors ("Board of Supervisors") provide it with economic assistance due to the current economic downturn and the loss of the City's Vehicle License Fee ("VLF") revenue due to the passage of SB 89;

WHEREAS, the City has requested that the County extend transition year Sheriff services to the City for an additional six months in exchange for deferred payment pursuant to California Government Code Section 53784(c);

WHEREAS, the City has requested the County to agree to a deferral of Revenue Neutrality Payments required by that certain Revenue Neutrality Agreement by and between the County of Riverside and the City of Jurupa Valley ("Revenue Neutrality Agreement") pursuant to the terms of that agreement;

WHEREAS, the City has requested the County to extend the repayment of General Fund Transition Year Costs it owes the County pursuant to California Government Code Section 53784(b);

WHEREAS, an agreement outlining the County's conditional approval of the City's requests and providing for a general release of all related claims against the County (the "Agreement") has been presented to the Clerk of the Board for approval by the Board of Supervisors;

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Riverside assembled in regular session that the Agreement between the County and the City, presented to the Board of Supervisors, conditionally authorizing the city's requests and providing for a general release of all of the City's known and unknown related claims against the County is hereby approved. The

APPROVED COUNTY COUNSEL

DATE: 2/19/13
DALE G. GARDNER

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1 Chairman of the Board of Supervisors is authorized and directed to execute the Agreement on behalf of the
2 County.

3 BE IT FURTHER RESOLVED that pursuant to the request of the Jurupa Valley City
4 Council, the Board of Supervisors determines to continue to furnish Sheriff services to the City (in the
5 amount of \$6,019,496) for an additional six months after the end of the fiscal year during which
6 incorporation became effective and that the City shall pay for such Sheriff services in eight equal annual
7 payments, plus interest applied annually in the amount of the California Consumer Price Index ("CPI"),
8 sixty days after the beginning of fiscal year 2015-2016 and 60 days after the beginning of each subsequent
9 fiscal year through and including fiscal year 2022-2023, all as set-forth in the Agreement, subject to the
10 City's approval and execution of the Agreement.
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12 BE IT FURTHER RESOLVED that the County agrees to a three year deferral of Revenue
13 Neutrality Payments required by the Revenue Neutrality Agreement (in the amount of \$6,050,000) with
14 repayment of the deferred amount in five equal annual payments, plus CPI applied annually, beginning 60
15 days after the end of each of fiscal years 2015-2016 through and including 2019-2020; provided that the
16 City shall also pay to the County the full annual Revenue Neutrality Payment required in fiscal years 2015-
17 2016 through and including 2019-2020 in accordance with the original terms of the Revenue Neutrality
18 Agreement, all as set-forth in the Agreement, subject to the City's approval and execution of the
19 Agreement.
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22 BE IT FURTHER RESOLVED that the Board of Supervisors agrees to extend the time of
23 repayment of the City's General Fund Transition Year Costs (in the amount of \$6,483,443) from the
24 original five year repayment period provided in Government Code Section 57384(b) to repayment in equal
25 annual payments, plus CPI applied annually, with payment to be made sixty days after the beginning of the
26 fiscal year in each fiscal year from fiscal year 2015-2016 through and including fiscal year 2022-2023, all
27 as set-forth in the Agreement, subject to the City's approval and execution of the Agreement.
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1 BE IT FURTHER RESOLVED that repayment by the City to the County of the Non-
2 General Fund Transportation Transition Year Services (in the amount of \$2,540,175) shall remain
3 unchanged and shall be repaid as required by the Resolution of Incorporation of the City and the
4 Agreement.

5 This resolution shall become effective immediately upon its adoption.

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7 Passed and adopted this 26th day of February 2013.
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ATTACHMENT B

AGREEMENT BY AND BETWEEN THE COUNTY OF RIVERSIDE AND THE CITY OF JURUPA VALLEY CONDITIONALLY AUTHORIZING THE DEFERRAL OF SHERIFF COSTS; CONDITIONALLY APPROVING THE EXTENSION OF TRANSITION YEAR SERVICES; AND CONDITIONALLY APPROVING THE EXTENSION OF CERTAIN PAYMENTS TO BE MADE BY THE CITY TO THE COUNTY

This Agreement (“Agreement”) is entered into as of February 26, 2013 by and between the County of Riverside (the “County”), a political subdivision of the State of California and the City of Jurupa Valley (the “City”) a municipal corporation, (individually a “Party” and together the “Parties”).

RECITALS

This Agreement is entered into with reference to the following facts:

- a) On July 1, 2011 the City incorporated.
- b) The City has requested that the County Board of Supervisors provide it with economic assistance due to the current economic downturn and the loss of the City’s Vehicle License Fee revenue due to the passage of SB 89.
- c) The City has requested that the County extend transition year Sheriff services to the City for an additional six months in exchange for deferred payment pursuant to California Government Code Section 53784(c).
- d) The City has requested the County to agree to a deferral of Revenue Neutrality Payments required by that certain Revenue Neutrality Agreement by and between the County of Riverside and the City of Jurupa Valley (“Revenue Neutrality Agreement”) pursuant to the terms of that agreement.
- e) The City has requested the County to extend the repayment of General Fund Transition Year Costs it owes the County pursuant to California Government Code Section 53784(b).

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. Extension of Sheriff Services. Pursuant to the request of the Jurupa Valley City Council, the Board of Supervisors determines to continue to furnish Sheriff services to the City (in the amount of \$6,019,496) for an additional six months after the end of the fiscal year during which incorporation became effective and that the City shall pay for such Sheriff services in eight equal annual payments, plus interest applied annually in the amount of the California Consumer Price Index (“CPI”), sixty days after the beginning of fiscal year 2015-2016 and 60 days after the beginning of each subsequent fiscal year through and including fiscal year 2022-2023.
2. Deferral of Revenue Neutrality Payments. The County agrees to a three year deferral of Revenue Neutrality Payments required by the Revenue Neutrality Agreement (in the amount

of \$6,050,000) with repayment of the deferred amount in five equal annual payments, plus CPI applied annually, beginning 60 days after the end of each of fiscal years 2015-2016 through and including 2019-2020; provided that the City shall also pay to the County the full annual Revenue Neutrality Payment required in fiscal years 2015-2016 through and including 2019-2020 in accordance with the original terms of the Revenue Neutrality Agreement.

3. Repayment of Transition Year Costs. The County agrees to extend the time of repayment of the City's General Fund Transition Year Costs (in the amount of \$6,483,443) from the original five year repayment period provided in Government Code Section 57384(b) to repayment in equal annual payments, plus CPI applied annually, with payment to be made sixty days after the beginning of the fiscal year in each fiscal year from fiscal year 2015-2016 through and including fiscal year 2022-2023. However, repayment by the City to the County of the Non-General Fund Transportation Transition Year Services (in the amount of \$2,540,175) shall remain unchanged and shall be repaid as required by the Resolution of Incorporation.

4. General Release; Covenant Not to Sue. City, on behalf of itself, its elected officials, officers, employees, and their successors and assigns, fully and forever releases the County, its elected officials, officers, employees, and their successors and assigns from all claims and causes of action of any nature known or unknown by reason of, relating to, or arising from this Agreement; the incorporation of the City; the Revenue Neutrality Agreement by and between the County and the City; the County's calculation, charge, and collection of the City's Transition Year costs; the County's calculation, implementation, or use of the Property Tax Apportionment factor for the City; and the County's calculation and use of its Prop 172 revenues. This release shall apply to all claims for relief, administrative actions, and any and all causes of actions, including but not limited to, causes of action for injuries, damages, losses, or failures to perform a mandatory duty whether known or unknown, foreseen or unforeseen, patent or latent.

The City expressly waives the provisions of Section 1542 of the California Civil Code which says that a general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

In addition, City, on behalf of itself, its elected officials, officers, employees, and their successors and assigns, fully and forever relinquishes the right to sue and hereby covenants not to sue and not to pursue any action against the County, its elected officials, officers, employees, and their successors and assigns for any and all claims and causes of action of any nature known or unknown by reason of, relating to, or arising from this Agreement; the incorporation of the City; the Revenue Neutrality Agreement by and between the County and the City; the County's calculation, charge, and collection of the City's Transition Year costs; the County's calculation, implementation, or use of the Property Tax Apportionment factor for the City; and the County's calculation and use of its Prop 172 revenues. This covenant not to sue shall apply to all claims for relief, administrative actions, and any and all causes of actions, including but not limited to, causes of action for injuries, damages, losses, or failures to perform mandatory duties whether known or unknown, foreseen or unforeseen, patent or latent.

5. 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.

6. Legal Action and Venue. All remedies at law or in equity consistent with the provision of this Agreement are available to the City and the County in the event of default. Legal actions shall be instituted in the Superior Court of the County of Riverside. The Parties waive any right to seek venue in any other court than the Superior Court of the County of Riverside in Riverside, California.

7. Attorney Review. The Parties acknowledge that they have had the opportunity to consult with their respective legal counsel regarding this Agreement and that accordingly the terms of this Agreement are not to be construed against any Party because that Party drafted this Agreement or construed in favor of any Party because that Party failed to understand the legal effect of the provisions of this Agreement.

8. No Third Parties Benefited. This 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 matters contained herein, 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 the 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 February 26, 2013.

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 2/19/13
DALE A. GARDNER DATE

Attachment C
FY 12/13 Budget Adjustments

Decrease Appropriations:

10000-1109000000-581000	Approp for Contingency	\$6,019,496
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Increase Appropriations:

10000-1101000000-525500	Salary/Benefit Reimbursement	\$6,019,496
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City of Jurupa Valley

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

December 3, 2012

Mr. George Johnson, Assistant County Executive Officer
County of Riverside
Executive Office
4080 Lemon Street, 4th Floor
Riverside, CA 92501

**SUBJ: REVISED PROPOSAL FOR REVENUE NEUTRALITY RENEGOTIATED
AGREEMENT**

Dear Mr. Johnson:

Due to the unforeseen passage of SB 89 in June of 2011, the City of Jurupa Valley (City) lost its largest source of revenue, Motor Vehicle License Fees (MVLFF). This legislation diverted MVLFF from cities to counties to offset the costs associated with the passage of AB 109 and the Realignment of the State of California (State) Correctional System. For Fiscal-Year 2011-12, the City lost an estimated \$6.7 million net of any offsetting law enforcement grants as a part of the Realignment process. For Fiscal-Year 2012-13, the City will lose another estimated \$6.5 million. This event makes the City fiscally unsustainable without the assistance of both the State and the County of Riverside (County). Hence the City's needs are twofold. First, it will need restoration of the MVLFF or its equivalent by the State. To this effect, new legislation will be introduced in December 2012. Even if the City is successful in this continuing effort, it will not recover the \$6.7 million lost in Fiscal-Year 2011-12 and will more than likely not receive the \$6.5 million for Fiscal-Year 2012-13. Secondly, the projected cumulative loss of \$13.2 million in revenue will prevent the City in meeting its debt obligations to the County within the parameters of the existing Revenue Neutrality Agreement (Agreement). As such, the Agreement will need to be amended.

During the "Transition Year Period", the City met with your staff to discuss the re-opening of negotiations pertaining to our existing Agreement. Concurrently, the City continued to work with the State in providing a legislative solution for the restoration of the MVLFF. The City's year-long effort ended with the Governor's veto of AB 1098 back in September of this year. This event created the urgency to reinstate the City's request to re-open the negotiations of the Agreement as evidenced by our October 1, 2012 correspondence to the County. The purpose of the request is to develop a mutually acceptable agreement that preserves the ability of the City to remain incorporated while we continue to work with the State Legislature on the restoration of the diverted funds. The successful implementation of the City's efforts at both the State and County level is imperative for the City to continue operations beyond the fall of 2013.

Subsequent to our request, several meetings have taken place between the County and the City. As a result of our most recent meeting, we are now submitting a revised proposal for an amendment to the Agreement that meets all legal parameters, and provides for the minimal limits of relief the City will need in order to meet existing and future obligations to the County. This proposal will allow the City to maintain only its current level of service provision, and provide for funding for more aggressive economic development activity. However, it will not allow the City to expand public service levels nor complete its own General Plan. These activities can only be achieved through the restoration of MVLF or its equivalent and increases in local revenue. As such, the City proposes the following Amendment:

- (1) Defer commencement of Revenue Neutrality payment obligations for three (3) years, with the first payment to commence in Fiscal-Year 2015-16 (payment due within 60 days after the end of the fiscal year as per the current agreement). The payment schedule (five annual fixed payments, then formula based payments) as incorporated in the current agreement will remain.
- (2) Extend the Transition Year law enforcement Sheriff services for an additional six (6) months into Fiscal-Year 2012-13, with those costs to be included for reimbursement under the Transition Year General Fund repayment requirement.
- (3) Extend the Transition Year General Fund repayment requirement, inclusive of the additional Sheriff service extension cost for Fiscal Year 2012-13, an additional six (6) years from the required due date of June 30, 2016 until June 30, 2022. The City will make eight (8) equal annual payments commencing no later than June 30, 2015. The Road Restricted Transition Year repayment requirement will remain unchanged.

The implementation of the aforementioned items is permissible under State law. You will find attached a legal opinion from the City Attorney's office outlining the legal discussion that reflects our proposal as meeting legal parameters as related to newly incorporated cities. It should be noted that the aforementioned proposed Amendment does not request additional funding from the County. The request only restructures the repayment schedule of both the City's Transition Year and Revenue Neutrality obligations.

In addition, the City is currently reviewing the Transition Year net cost information provided by the County Executive Office and is awaiting additional information that has been requested related to the approximately \$950,000 "adjustment" for Code Enforcement services reported on the 4th Quarter report. Until such time as that information is received and verified, we are unable to determine what the City's final obligation amount will be for the Fiscal-Year 2011-12 Transition Year costs.

It should be noted that the County benefited in Revenue Neutrality relief and, by the passage of SB 89, partially at the expense of the City. SB 89 allocated all statewide cities' MVLF revenues to AB 109 realignment funding purposes. Therefore the County has been the beneficiary in part to our City's proportionate MVLF revenues. As a result, the City has had to reduce its ability to provide adequate public safety to its residents by reducing the budget for Sheriff Services. Further reductions will erode the City's ability

to maintain even an already reduced level of public safety while also reducing minimum safety standards for law enforcement personnel.

Also Section 3.2 of the Agreement required the County to maintain existing Fire Service Levels. Since the agreement was adopted, the County has reduced fire protection services in the City as follows:

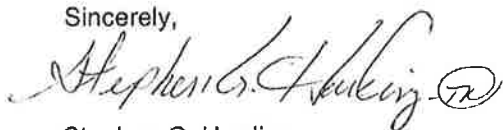
- 1) Defunded the 50% shared Truck Company at Station 38 (Rubidoux)
- 2) Replaced an Engine Company with a Paramedic Unit at Station 18.

The City estimates that the County has realized a minimum of \$1 million in annual savings to the County General Fund by these fire service reductions, which has resulted in a reduced service level understood under the terms of the original Agreement.

As stated in our previous letter, and at the subsequent meetings, unless an amendment to the Agreement is implemented in the very immediate future, and not knowing if the City's continuing legislative efforts will be successful, the City will have to initiate the disincorporation process. As such, time is of the essence for reaching a resolution of this matter.

I 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

cc: Laura Roughton, Mayor
Verne Lauritzen, Mayor Pro-Tem
Michael Goodland, Council Member
Brad Hancock, Council Member
Frank Johnston, Council Member
John Tavaglione, Supervisor –District 2



RICHARDS | WATSON | GERSHON
ATTORNEYS AT LAW - A PROFESSIONAL CORPORATION

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RICHARD RICHARDS
(1916-1988)

GLENN R. WATSON
(1917-2010)

HARRY L. GERSHON
(1922-2007)

STEVEN L. DORSEY
WILLIAM L. STRAUSS
MITCHELL E. ABBOTT
GREGORY W. STEPANICHICH
ROCHELLE BROWNE
QUINN M. BARROW
CAROL W. LYCH
GREGORY M. KUERT
THOMAS M. JIMBO
ROBERT C. CECCON
STEVEN H. KAUFMANN
KEVIN G. ENNIS
ROBIN D. HARRIS
MICHAEL ESTRADA
LAURENCE S. WIENER
STEVEN R. ORR
D. TILDEH KIM
SASKIA T. ASAMURA
KAYSER O. SUME
PETER M. THORSON
JAMES L. MARKMAN
CRAIG A. STEELE
T. PETER PIERCE
TERENCE R. BOGA
LISA BOHD
JAHET E. COLESON
ROXANNE M. DIAZ
JIM G. GRAYSON
ROY A. CLARKE
WILLIAM P. CURLEY III
MICHAEL F. YOSHIBA
REGINA H. DANHER
PAULA GUTIERREZ BAEZA
BRUCE W. GALLOWAY
DIANA K. CHUANG
PATRICK K. BOBK
NORMAN A. DUPONT
DAVID M. SHOW
LOLLY A. ENRIQUEZ
KIRSTEN R. BOWMAN
GINETTA L. GIOVINCO
TRISHA ORTIZ
CANDICE K. LEE
BILLY D. OUISSHORE
AMY GREYSON
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November 30, 2012

Mr. Stephen G. Harding
City Manager
City of Jurupa Valley
8304 Limonite Avenue, Suite M
Jurupa Valley, California 92509

Re: Renegotiation of County of Riverside Revenue Neutrality Agreement

Dear Steve:

The City has been in on-going discussions with the County of Riverside for revisions to the Revenue Neutrality Agreement of July 13, 2010 concerning ways in which the County could provide assistance to the City given the devastating impacts of the adoption of SB 89 eliminating the City's vehicle license fee revenues and the Legislature's continuing failure to restore such funds. Despite extensive discussions between elected officials of the City and County and the staffs of the City and County, the County staff is now taking the position that the County cannot extend Sheriff's law enforcement services to the City at its current level of service past the first year after incorporation on a deferred payment basis.

You have asked us to review the legal basis for the County to defer the start of revenue neutrality payments for three years as an amendment to the Revenue Neutrality Agreement. Additionally, you have asked us to review the legal basis for the County's authority to provide Sheriff's law enforcement services to the City at its current level of service past the first year after incorporation on a deferred payment basis.

In our opinion, the County of Riverside has the clear and unequivocal authority to approve an amendment to the Revenue Neutrality Agreement that would:

1. Extend the time periods described in Sections 3.1.2, 3.1.3 and 3.1.4 and subsequent payment schedule of the Revenue Neutrality Agreement for commencement of the revenue neutrality payments; and
2. Furnish law enforcement services by the Sheriff to the City at appropriate levels of service on an extended transition basis past the first year after incorporation.

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DISCUSSION

Revenue Neutrality Agreement

On July 13, 2010, the County of Riverside and the Jurupa Area Recreation and Parks District entered into the Revenue Neutrality Agreement prior to the City's incorporation. The Revenue Neutrality Agreement is referenced and incorporated into Resolution No. 12-10 of the Riverside County Local Agency Formation Commission that authorized the incorporation of the City of Jurupa Valley. On July 1, 2011, the date of incorporation of the City of Jurupa Valley, the City Council adopted Resolution No. 2011-32 which approved, accepted and ratified the Revenue Neutrality Agreement on behalf of the City.

Section 1.8 of the Revenue Neutrality Agreement provides that:

“1.8 Pursuant to Government Code Section 56815.6(c), approval and execution of this Agreement by the County, and the payments and other terms and conditions set forth herein, satisfy the requirement to mitigate the negative fiscal effects of the Incorporation on the County. Without the terms and conditions contained in this Agreement, LAFCO would be unable to make the required findings under 56815 Section (c). Therefore, this Agreement is essential to LAFCO's determination regarding the Incorporation under the Government Code Sections 56880, 36375, and 56720.”

Section 3.1 recognizes that the County would have certain ongoing obligations to provide certain public services to the City upon its incorporation. In order to provide relief to the City during the start period in Years 1 to 6 following incorporation, the Revenue Neutrality Agreement provides that the revenue neutrality payments would be reduced in Years 1 to 6 as follows:

1. “3.1.2. In year Year 1, the transition year, **100 percent** of the revenue neutrality payment shall be deferred;
2. “3.1.3. In Year 2, City shall pay County the sum of two million two hundred and twenty five [sic] thousand dollars (**\$2,250,000 [sic]**);
3. “3.1.3. In Years 3-6, City shall pay County the sum of one million nine hundred thousand dollars (**\$1,900,000**) per year; . . .”

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Section 3.2 of the Revenue Neutrality Agreement further provides that the County shall provide fire services for the new City:

“3.2 County shall retain responsibility for providing fire services within the City until the City is willing to assume that responsibility from the County. County will continue to receive all related fire revenue until responsibility for fire services transfers to City, recognizing that revenue may not by itself completely offset the costs of maintaining existing fire service levels. County may negotiate with City additional revenue sharing payments to maintain or enhance fire services. Such payments may be used as a means for City to transition to assuming full financial responsibility for and transfer of fire services.”

Section 5.2 of the Revenue Neutrality Agreement further “acknowledges that circumstances may arise that may call for or require good faith negotiations for amendment of this Agreement.” Among the grounds for such renegotiation is:

“5.2.3. The passage of a statute or issuance of a legislative or executive order from a federal, State or local government entity that materially alters the manner in which revenues to the City or County are paid or allocated; . . .”

City’s loss of vehicle license fee revenues

On June 27, 2011, the Governor signed SB 89. This legislation eliminated all vehicle license fee revenue available to cities.

The effect of SB 89 was to reduce the City of Jurupa Valley’s first year revenues by \$6.7 million dollars or 40% of the City’s first year General Fund revenues. The actual reduction in revenues to the City of Jurupa Valley was more than any other city in California except for the City of Los Angeles. Additionally, SB 89 will cause a reduction in the City’s General Fund revenues for all subsequent years by an estimated 25% to 30% annually.

AB 1098 was legislation that would have restored vehicle license fee revenues for the City of Jurupa Valley for Fiscal Year 2012-13 and subsequent years. It was adopted by the Legislature on September 1, 2012 but was vetoed by the Governor.

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Even if AB 1098 had been adopted, it would not have restored the vehicle license fee revenues for Fiscal Year 2011-12.

The City's financial analysis projects that the City revenues will not be sufficient to meet City expenses as of August 2013.

The City staff has been in discussions with the County staff concerning the ways in which the County could provide for restructuring of the Revenue Neutrality Agreement in order to keep the City financially solvent.

Even if the Legislature were to restore the City's vehicle license fee revenues beginning in Fiscal Year 2012-13, it would not completely resolve the City's financial problems because the City will not be able to recover the \$6.7 in vehicle license fee revenue it lost in Fiscal Year 2011-12.

As the discussions have progressed between the County and City staffs, particularly since the veto of AB 1098, the County staff has now raised the concern that the County might not be able to extend sheriff services to the City of Jurupa Valley on a cost deferred basis past the first year after incorporation.

Authority of County to extend the deferral of revenue neutrality payments and to provide transition sheriff's law enforcement services to the City past the first year after incorporation on a reimbursable basis.

Sections 5.2 and 5.2.3. of the Revenue Neutrality Agreement mandates that the City and County negotiate in good faith the amendment of the Agreement in the event that a statute is passed "that materially alters the manner in which revenues to the City or County are paid or allocated."

There can be no question that SB 89 reallocates the distribution of vehicle license fee revenues between the State and newly incorporated cities and that this reallocation has materially affected the revenues to the City of Jurupa Valley. The laws that formed a primary basis of the financial analysis on which LAFCO approved the Comprehensive Fiscal Analysis and approved the incorporation of the City of Jurupa Valley were repealed. Vehicle license fee revenue that had been allocated to all cities was reallocated to the State in order to fund the realignment of State prisoners to the counties. For Jurupa Valley this meant a loss of \$6.7 million in the first year and approximately \$5 million to \$6 million for the second through fifth years and all subsequent years after incorporation. Jurupa Valley's lost revenue exceeded the lost

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revenues for the cities of San Diego, San Jose, San Francisco and Sacramento. The only city in the State of California that suffered a greater dollar loss than Jurupa Valley is the City of Los Angeles.

The County has the authority to extend the payment terms described in Sections 3.1.2, 3.1.3, and 3.1.4 and subsequent schedule of the Revenue Neutrality Agreement.

Government Code Section 56815(c) provides that LAFCO may approve a proposed incorporation if it finds either that: “(1) the county and all of the subject agencies agree to the proposed transfer [or] (2) the negative fiscal effect has been adequately mitigated by tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to Section 56886.” [Emphasis added.] No limitations exist on the term of the payments either in Section 56815 or other statutes. Indeed the authority is simply for payments over a “fixed period of time.” Therefore, the Revenue Neutrality Agreement may be legally amended to defer all revenue neutrality payments for an undetermined period of time following incorporation as may be agreed to by the parties.

The County has the authority to provide transitional law enforcement services by the Sheriff within the City of Jurupa Valley past the first year after incorporation on a reimbursable basis.

Government Code Section 57384(c) explicitly authorizes the County to provide Sheriff’s law enforcement services to the City without charge:

“(c) At the request of the city council, the board of supervisors, by resolution, may determine to furnish, without charge, to the area incorporated all or a portion of services furnished to the area prior to the incorporation for an additional period of time after the end of the fiscal year during which the incorporation became effective. The additional period of time after the end of the fiscal year during which the incorporation became effective for which the board of supervisors determines to provide services, without charge, and the specific services to be provided shall be specifically stated in the resolution adopted by the board of supervisors.” [Emphasis added.]

County staff is concerned that the County may only provide services during the first year after incorporation, citing Government Code Sections 23008 and 57384(a). Government Code Section 23008 is not applicable to Jurupa Valley’s request for an

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extension of Sheriff's services. This section provides general authority for the County to provide services or goods for a district or municipal corporation. Section 57384(c), however, is a section addressing a specific, special need of a city to receive County services after incorporation. Under California law, statutes providing specific authority to address special concerns prevail over those statutes that provide general authority.

Moreover, when Government Code Sections 57384(a), requiring the County to continue to provide municipal services for the new city for its first fiscal year, and 57384(c), authorizing the County to provide additional municipal services without charge after the first fiscal year, are considered together, it is clear that the Legislature intended to provide counties with broad authority to assist new cities in providing municipal services in its first few years of cityhood.

The authority of the County to provide municipal service to a new city without charge after the first fiscal year following incorporation is also reflected in Section 3.2 of the Revenue Neutrality Agreement. This section provides that the County shall provide fire services within the City of Jurupa Valley until the City "is willing to assume that responsibility from the County." No time limit exists in Section 3.2 for the City's assumption of fire services. The County shall receive all related fire revenue, but the County recognizes "that revenue may not completely off set the cost of maintaining existing fire service levels."

Very truly yours,



Peter M. Thorson

cc: George Wentz
Gary Thompson
Alan Kreimeier
Terri Rollings

Cumulative Carry of Amount Deferred by Jurupa Valley

ATTACHMENT E

