

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

202



FROM: Executive Office

SUBMITTAL DATE:
April 10, 2014

SUBJECT: Approval of Temecula Valley Wine Country Interagency Funding Agreement between the County of Riverside and Eastern Municipal Water District; and Corresponding Budget Adjustment for the use of General Fund. District 3/3; [\$5,000,000]; 100% Loan from Workers' Compensation Fund

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and direct the Chairman to sign Temecula Valley Wine Country Interagency Funding Agreement between the County of Riverside and Eastern Municipal Water District (EMWD);
2. Approve a loan of \$2 million from the Workers' Compensation fund to the Capital Improvement Program (CIP) fund to be repaid by Transient Occupancy Tax (T.O.T.); and
3. Approve and direct the Auditor-Controller process the loan from the Workers' Compensation fund and to make the Budget Adjustment listed in Attachment B.

BACKGROUND:

Summary

On April 24, 2012 (Item 3.2), the Board of Supervisors, recognizing the need for infrastructure improvement for the growth and sustainability of the Temecula Valley Wine Country, approved in concept the allocation of Transient Occupancy Tax (T.O.T.) generated from the wine country region to pay towards sewer improvements in the area.

Continued on the next page


Tina Grande
Principal Management Analyst

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 2,000,000	\$	\$ 5,000,000	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 2,000,000	\$	\$ 5,000,000	\$	

SOURCE OF FUNDS: Loan from Workers' Compensation Fund to be reimbursed by new Transient Occupancy Tax

Budget Adjustment:	Yes
For Fiscal Year:	13/14

C.E.O. RECOMMENDATION: **APPROVE**

BY: 
George A. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

FORM APPROVED COUNTY COUNSEL

BY:  DALE A. GARDNER DATE: 4/15/14

Department: Concurrence

FISCAL PROCEDURES APPROVED

PAUL ANGULO, CPA, AUDITOR-CONTROLLER
BY:  Esteban Hernandez DATE: 4/14/14

- A-30
- 4/5 Vote
- Positions Added
- Change Order

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Approval of Temecula Valley Wine Country Interagency Funding Agreement between the County of Riverside and Eastern Municipal Water District; and Corresponding Budget Adjustment for the use of General Fund. District 3/3; [\$5,000,000]; 100% Loan From Workers' Compensation Fund

DATE: April 10, 2014

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

This approval was in conjunction with the development of the Temecula Valley Wine Country Community Plan, which received final approval from the Board of Supervisors on March 11, 2014 (Item 3-28). The development of waste water facilities will not only allow the plan to develop as designed, but will provide sustainability for current hospitality and viticulture businesses.

Eastern Municipal Water District (EMWD) is the lead agency on the sewer project. The proposed sewer project, outlined in the attached agreement, will occur in two phases. The total estimated cost for both phases is \$28.8 million. The county's contribution for Phase I is \$2 million. The total estimated cost for Phase I is approximately \$21.6 million. EMWD has already awarded the contracts for Phase I totaling \$14.44 million. The Phase II cost to the county will be \$3 million. The agreement outlines the payment schedule for Phase II, which will commence upon EMWD awarding the contract for Phase II; however, the agreement states, and the parties recognize, that funds will have to be budgeted, appropriated, and available for payment. If the funds are not made available, then EMWD may suspend or not advance Phase II. Timing for Phase II is unknown at this time.

The Transportation and Land Management Agency (TLMA) and the Executive Office have negotiated the attached agreement with EMWD to pay \$5 million in total toward Phase I and Phase II. County Counsel has approved as to form.

The agreement (Attachment A) is approved as to form by County Counsel.

Impact on Residents and Businesses

In addition to expanding the capacity of infrastructure that will serve planned development in accordance with the Wine Country Community Plan, this sewer project is expected to provide groundwater quality benefits. According to Rancho California Water District, there is no additional capacity to process salinity loading in the basin. The replacement of septic systems with sanitary sewer is expected to cease complicating the salinity issue. Therefore, this project will have a positive direct impact on business in the wine country region, as it will secure needed infrastructure that will sustain and promote the Temecula Wine Country Region.

SUPPLEMENTAL:

Additional Fiscal Information

A loan of \$2 million from the Workers' Compensation fund is requested to pay for the county's contribution. The loan will be repaid with interest at the Treasurer Tax Collector pool rate with new T.O.T. generated from the subject area. Ordinance No. 495 is known as the Uniform Transient Occupancy Ordinance of the County of Riverside. It was last amended as Ordinance No. 495.7 in 1995. The ordinance requires all hotels, as defined in the ordinance, to charge a 10% fee on top of the "rent" charged by the hotel operator. The T.O.T. generated in the unincorporated area is discretionary revenue that is used to pay for discretionary purposes out of the general fund. In FY 12/13, the T.O.T. generated in the entire unincorporated area of the county was \$1,855,615. The T.O.T. generated from the subject area was \$824,065. FY 12/13 will serve as a base year for the repayment of the loan. The Executive Office will track the increase in T.O.T. in cooperation with the Treasurer/Tax-Collector and will notify the Board of Supervisors once repayment of the funds to the Workers' Compensation fund is complete.

A budget adjustment allows funding to be transferred to the CIP budget for payment directly to EMWD.

Contract History and Price Reasonableness

This is the first agreement with EMWD to fund sewer infrastructure in the wine country region. The combined total cost for Phase I and Phase II is estimated to be \$28.8 million; the county's portion is \$5 million. EMWD provides sewer collection, transmission, and treatment services to subject area.

Attachment A

TEMECULA VALLEY WINE COUNTRY
INTERAGENCY FUNDING AGREEMENT

This Agreement is made and entered into this _____ day of _____, 2014, by and between EASTERN MUNICIPAL WATER DISTRICT, organized and operating pursuant to Division 20 of the California Water Code (hereinafter "EMWD"), and the COUNTY OF RIVERSIDE, CALIFORNIA (hereinafter "County").

RECITALS

WHEREAS, the Temecula Wine Country Community Plan was initiated by the County Board of Supervisors in 2008 to ensure that the Wine Country continues to grow in an orderly manner that maximizes its unique viticulture potential and also secures timely provision of needed infrastructure that promotes a sustainable tourist destination; and

WHEREAS, the Temecula Valley Wine Country has generally relied on individual septic systems for wastewater disposal which may not be adequate to support current or anticipated growth due to water quality concerns and physical factors impacting septic system performance; and

WHEREAS, Rancho California Water District manages the production of potable water supply underlying the Wine Country groundwater basin, and in February of 2012 published a study, the Temecula Valley Wine Country Groundwater Quality Assessment Report, which concluded that groundwater quality in the upper aquifer has exceeded the San Diego Regional Water Quality Control Board's Basin Plan Objective; and

WHEREAS, EMWD provides regional sewer collection, transmission, and treatment services within areas of Riverside County, and whose boundaries include the Temecula Valley Wine Country; and

WHEREAS, EMWD has proposed the construction of wastewater collection and transmission system infrastructure, Phases 1 and 2, to provide sewer service to the Rancho California Road area of the Temecula Wine Country as generally depicted on **Exhibit A**, attached hereto and incorporated, herein; and

WHEREAS, the proposed facilities will consist of backbone infrastructure designed to accommodate wastewater flows generated from, but not limited to current and future hospitality, wine production, and other sources; and

WHEREAS, EMWD has awarded contracts in the amount of \$14,444,444 for construction of Phase 1(a) of the subject infrastructure consisting of the installation of gravity sewer and force main pipelines; with Phase 1(b), construction of two (2) sewage lift stations, to begin following property acquisition and completion of final design; and

WHEREAS, on April 24, 2012 the Riverside County Board of Supervisors approved, in concept, the allocation of Transient Occupancy Tax funds in the amount of \$5 Million from the Temecula Valley Wine Country Community Plan region to assist in paying for the aforementioned sewer infrastructure; and

WHEREAS, the purpose of this Interagency Agreement is to set forth the terms and conditions whereby the County will contribute \$5 Million toward EMWD's construction of the Phase 1 and Phase 2 Temecula Valley Wine Country sewer infrastructure.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties hereby agree as follows:

1. Incorporation of Recitals:

The Recitals set forth above are incorporated into and are a part of this Interagency Agreement.

2. Agreement:

County, hereby, agrees to pay EMWD \$5 Million toward EMWD's construction of Phase 1 and Phase 2 of the Temecula Valley Wine Country sewer infrastructure generally depicted on **Exhibit A**, hereto. Such payment, made by County, shall be used by EMWD for the sole purpose of constructing the Wine Country sewer infrastructure contemplated, herein, and shall be paid by County, to EMWD, in accordance with the following schedule:

A. In Accordance with Phase 1 Construction - \$2 Million payable by County to EMWD

- i. Phase 1, Payment #1 – County shall pay EMWD \$1 million within 30 calendar days following final execution of this Agreement.
- ii. Phase 1, Payment #2 – County shall pay EMWD \$1 million on/or before June 30, 2014.

B. In Accordance with Phase 2 Construction - \$3 Million payable by County to EMWD

- i. Phase 2, Payment #1 – EMWD shall notify County a minimum of 180 calendar days in advance of its scheduled award of contracts for construction of the Phase 2 facilities. County shall, thereafter, pay EMWD \$1.5 million within 30 calendar days of actual award.
- ii. Phase 2, Payment #2- County shall pay EMWD \$1.5 million on/or before July 31st of the fiscal year immediately following County's issuance of Phase 2, Payment #1.

For purposes of this Section, a fiscal year shall be defined as beginning on July 1st and ending on June 30th of any year.

3. Term:

This Interagency Agreement shall remain in effect until such time as final payment is received by EMWD in accordance with Section 2, above; and may be earlier terminated only in the event of the mutual, written, agreement of both parties. Provided, however, that the County's obligation for payment of this Interagency Agreement beyond Phase 1 Construction (\$2 Million) is contingent upon and limited by the availability of County

funding from which payment can be made. No legal liability on the part of County shall arise for payment of Phase 2 Construction as described in Section 2.B, above, unless funds are budgeted, appropriated, and available for such payment. In the event that such funds are not available, County shall notify EMWD in writing; and this Interagency Agreement shall be deemed terminated and without effect. It is, hereby, understood and agreed that in the event this Interagency Agreement is terminated, or if County, for any reason, is unable to make the aforementioned payment to EMWD for Phase 2 Construction, EMWD reserves the right, at its sole discretion, not to advance, or may otherwise suspend, construction of the Phase 2 facilities.

4. Amendments:

This Interagency Agreement may be modified only by a subsequent written Amendment executed by both parties.

5. Disputes:

In the event that any dispute between the parties arises under this Interagency Agreement, the parties shall first attempt to resolve such dispute at the management level. If the dispute is not resolved at this level within a mutually acceptable period of time (not to exceed 60 calendar days from the date written notice of such dispute is delivered by any party), the parties shall attempt to resolve the dispute at the senior management level. If this process and the involvement of senior management does not result in resolution of the dispute within 60 days from the date of referral to upper management, then the dispute shall be referred to and finally resolved through legal proceedings. The use of the foregoing procedure is a condition precedent to the commencement of any legal proceedings hereunder.

6. Mutual Indemnification:

EMWD and County each hereby agree to indemnify, defend, save and hold harmless the other and their respective Board of Directors, Supervisors, officers, agents and employees, of and from any liabilities, claims, demands, suits, actions and causes of action arising out of or in any manner connected with any act or omission of such indemnifying Party performed in connection with this Agreement.

7. Entire Agreement:

This Interagency Agreement is intended by the parties as a complete and exclusive statement of the terms of their agreement with regard to County's Funding of the Temecula Valley Wine Country sewer infrastructure and supersedes all prior agreements, written or oral, as to this subject matter.

8. Notices:

Any notice required by this Interagency Agreement to be given or delivered to any party shall be deemed to have been received when personally delivered or mailed in the United States mail addressed as follows:

EMWD Eastern Municipal Water District
Post Office Box 8300
Perris, Ca. 92572-8300
Attn: General Manager

County County of Riverside
4080 Lemon Street, 4th Floor
Riverside, Ca. 92501
Attn: County Executive Officer

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the day and year first written, above.

COUNTY OF RIVERSIDE, CALIFORNIA

EASTERN MUNICIPAL WATER DISTRICT

By: _____
Chairman of the Board of Supervisors

By: 
Paul D. Jones II, P.E. General Manager

Dated: _____

Dated: 2.4.14

ATTEST: _____

ATTEST: 

FORM APPROVED COUNTY COUNSEL
BY:  4/15/14
DALE A. GARDNER DATE

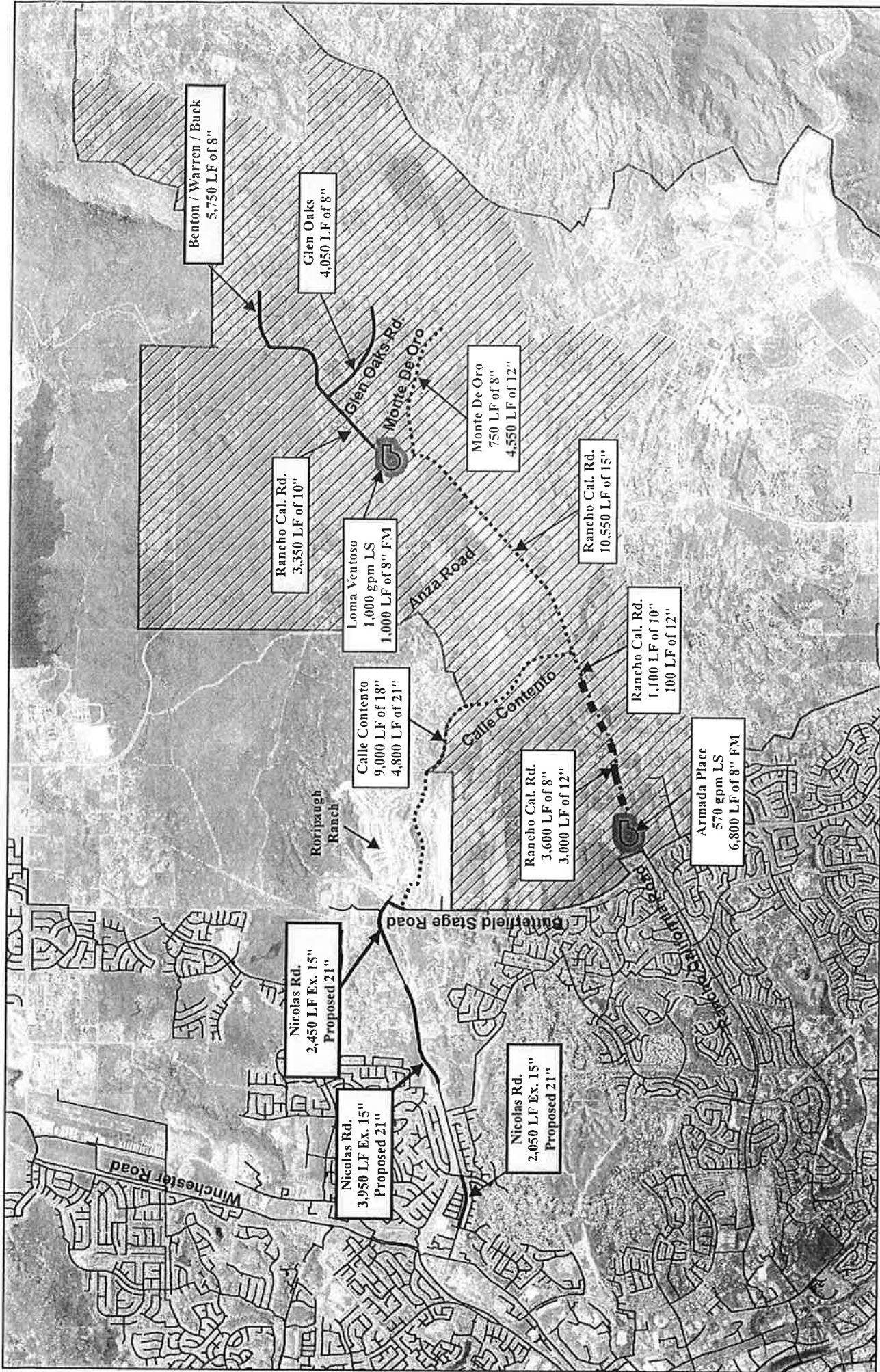
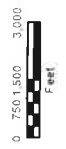


EXHIBIT A
PROPOSED SEWER FACILITIES
 Wine Country Infrastructure Project
 Date: 11/25/2013



- Legend**
- Existing Sewers
 - Wine Country Area
 - Tributary Area
 - Phase I Facilities
 - Phase II Facilities
 - Proposed Gravity Main
 - Proposed Gravity Main
 - Proposed Force Main
 - Proposed Lift Station

Attachment B

Increase Appropriations: 30700-1104200000-529520	Sewer System	\$2,000,000
Use assigned fund balance: 30700-1104200000-350200	AFB For Const/Capital Projects	\$2,000,000