

**INTER-FUND LOAN AND REPAYMENT
AGREEMENT**

**(Water Reclamation Utility Fund to Reclaimed
Water Utility Fund)**

by the

CORONA UTILITY AUTHORITY

and the

CITY OF CORONA

with reference to the

WATER RECLAMATION UTILITY FUND

and

RECLAIMED WATER UTILITY FUND

INTER-FUND LOAN AND REPAYMENT AGREEMENT

THIS INTER-FUND LOAN AND REPAYMENT AGREEMENT (the "Agreement") is made as of November 3rd, 2021, by the CORONA UTILITY AUTHORITY, a joint powers authority established under the Joint Powers Law (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code (the "Authority") and by the CITY OF CORONA, a general law city and California municipal corporation organized under the constitution and laws of the State of California (the "City"), with reference to the Water Reclamation Utility Fund (the "Water Reclamation Utility Fund") and the Reclaimed Water Utility Fund (the "Reclaimed Water Utility Fund") and the following recited facts:

RECITALS

A. WHEREAS, funds in the Reclaimed Water Utility Fund have been used to construct capital improvement projects and pay off debt service for projects that expand the recycled water utility; and

B. WHEREAS, the expansion of the Reclaimed Water Utility will eventually allow customers to convert to recycled water, which will lower the demand for the potable water system; and

C. WHEREAS, the amount of Reclaimed Water Utility revenue collected to date and deposited into the Reclaimed Water Utility Fund has been insufficient to pay for the entire cost to construct the system expansion capital improvement projects and repay the related debt service; and

D. WHEREAS, in order to allow expansion of the Reclaimed Water System to proceed and related debt service to be paid off, loans in the total amount of \$3,614,688 ("Interfund Loan") have been authorized and transferred from the Water Reclamation Utility Fund (Fund 572) to the Reclaimed Water Utility Fund (Fund 567) in Fiscal Year 2017-18 and Fiscal Year 2018-19; and

E. WHEREAS, the City and the Authority desire to memorialize the Interfund Loan in this Agreement and establish the terms for the repayment of the Interfund Loan from the Reclaimed Water Utility Fund.

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES SET FORTH IN THIS AGREEMENT AND OTHER GOOD AND VALUABLE CONSIDERATION, THE AUTHORITY AND THE CITY AGREE, AS FOLLOWS:

ARTICLE 1

DEFINITIONS

1.1 **Defined Terms.** In addition to the usage of certain words, terms or phrases that

are defined elsewhere in this Agreement, the following words, terms and phrases are used in this Agreement, as follows, unless the particular context of usage of a word, term or phrase requires another interpretation:

1.1.1 **"Available Working Capital"** means the difference between current assets and current liabilities of the Reclaimed Water Utility Fund less all of the following: (i) continuing capital improvement project appropriations of the Reclaimed Water Utility Fund; (ii) all encumbrances of the Reclaimed Water Utility Fund existing as of the Due Date; and (iii) any capital improvement project appropriations of the Reclaimed Water Utility Fund for the following fiscal year that are not otherwise covered by projected revenue for the same year. Available Working Capital of the Reclaimed Water Utility Fund will be calculated as of each Due Date.

1.1.2 **"Current Assets"** means all cash, accounts receivable less reserve for uncollectable accounts, due from other governments, and interest receivable of the Reclaimed Water Utility Fund.

1.1.3 **"Current Liabilities"** means all accounts payable, payroll payable, current portion of long-term debt, current portion of compensated absences payable, and principal payments on debt of the Reclaimed Water utility Fund.

1.1.4 **"Due Date"** means the last day of each fiscal year.

1.1.5 **"Effective Date"** means the date on which this Agreement is approved by the City Council of the City and the Corona Utility Authority.

1.1.6 **"Interest Rate"** means annualized Local Agency Investment Fund (LAIF) quarterly apportionment rates for the fiscal year but in no case greater than two percent (2%).

1.1.7 **"Interfund Loan "** means Three Million Six Hundred Fourteen Thousand Six Hundred Eighty-Eight Dollars (\$3,614,688) plus interest as set forth in Section 3.4 of this Agreement.

1.1.8 **"Person"** means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind.

ARTICLE 2

RECLAIMED WATER UTILITY LOAN

2.1 **Interfund Loan Authorization.** As previously authorized, the Water Reclamation Utility Fund has loaned to the Reclaimed Water Utility Fund the Interfund Loan to provide sufficient funding for the Reclaimed Water System expansion and related debt service.

ARTICLE 3

INTERFUND LOAN REPAYMENT

3.1 **Interfund Loan Repayment.** The Reclaimed Water Utility Fund shall repay the Interfund Loan from Available Working Capital. On or before the Due Date each fiscal year, any and all Available Working Capital shall be transferred from the Reclaimed Water Utility Fund to the Water Reclamation Utility Fund to repay the Interfund Loan. If Available Working Capital is not sufficient to pay off the Interfund Loan, any unpaid balance (whether principal or interest) shall be carried forward without default to the next fiscal year.

3.2 **No Separate Instrument.** The obligation of the Reclaimed Water Utility Fund to repay the Interfund Loan and all accrued and unpaid interest thereon shall be evidenced solely by this Agreement and shall not require any separate instrument to perfect the lien on Available Working Capital of the Reclaimed Water Utility Fund.

3.3 **Application of Payments.** Each transfer from the Reclaimed Water Utility Fund to the Water Reclamation Utility Fund shall be credited in the following order: (i) interest payable under this Agreement, and (ii) outstanding principal of the Interfund Loan.

3.4 **Interest.** The Interfund Loan shall bear interest on the unpaid principal amount at the Interest Rate per annum until paid.

3.5 **Usury.** This Agreement is expressly limited, so that in no event or contingency, whether because of the advancement of the proceeds or otherwise, shall the amount paid or agreed to be paid to the Water Reclamation Utility Fund for the use, forbearance, or retention of the money to be advanced hereunder exceed the highest lawful rate permissible under applicable law. If, under any circumstances, fulfillment of any provision of this Agreement, after timely performance of such provision is due, shall involve exceeding the limit of validity prescribed by law that a court of competent jurisdiction deems applicable, then, ipso facto, the obligations to be fulfilled shall be reduced to the maximum limit of such validity. If, under any circumstances, the Water Reclamation Utility Fund shall ever receive as interest an amount that exceeds the highest lawful rate, the amount that would be excessive interest shall be applied to reduce the unpaid principal balance of the Interfund Loan, and not to pay interest, or, if such excessive interest exceeds the unpaid principal balance of the Interfund Loan, such excess shall be refunded to the Reclaimed Water Utility Fund.

3.6 **Not a Pledge of Reclaimed Water Utility Fund Revenues.** Notwithstanding any other provision of this Agreement, the Reclaimed Water Utility Fund's obligations under this Agreement do not constitute a formal pledge of any revenues of the Reclaimed Water Utility Fund. The Reclaimed Water Utility Fund's repayment obligations under this Agreement shall be a special, limited fund obligation of the Reclaimed Water Utility Fund, payable solely from Available Working Capital as described herein. The Reclaimed Water Utility Fund's obligations under this Agreement are subject and subordinate to payment of debt service or other

amounts relating to any outstanding bonds, notes, installment payments, or other evidences of indebtedness, to which the Reclaimed Water Utility Fund is pledged and that were issued before or after the Effective Date, satisfaction of all obligations of the Reclaimed Water Utility Fund under existing agreements of the City (exclusive of this Agreement) and any other obligations of the Reclaimed Water Utility Fund, incurred, established or agreed to prior to the Effective Date or to which this Agreement is subordinated by the terms of this Agreement or by separate agreement. The Reclaimed Water Utility Fund's obligations regarding repayment under this Agreement shall be automatically junior and subordinate to any bonded indebtedness to which the Reclaimed Water Utility Fund is pledged after the Effective Date, without further notice or action.

ARTICLE 4

GENERAL PROVISIONS

4.1 **Incorporation of Recitals.** The recitals of fact set forth preceding this Agreement are true and correct and are incorporated into this Agreement in their entirety by this reference.

4.2 **Calculation of Time Periods.** Unless otherwise specified, all references to time periods in this Agreement measured in days shall be to consecutive calendar days, all references to time periods in this Agreement measured in months shall be to consecutive calendar months and all references to time periods in this Agreement measured in years shall be to consecutive calendar years. Any reference to business days in this Agreement shall mean and refer to business days of the City.

4.3 **Amendment.** No amendment or modification of this Agreement shall be effective, unless it is made in writing by the City, following approval by the City Council of the City and the Corona Utility Authority.

4.4 **Severability.** If any provision of this Agreement as applied to any Person or to any circumstance is adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, this fact shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision regarding another Person or under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

4.5 **Construction.** Unless otherwise indicated, all article and section references are to the articles and sections of this Agreement. The headings used in this Agreement are provided for convenience of reference only and this Agreement shall be interpreted without reference to any headings. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. If the date on which any action is required to be taken under the terms of this Agreement is not a business day, the action shall be taken on the next succeeding business day. The use of the word "or" in this Agreement shall also include the word "and." The use of the word "including" in this

Agreement shall be interpreted as though followed by the phrase "without limitation."

4.6 **Governing Law.** This Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California, without application of conflicts of laws principals.

4.7 **No Third-Party Beneficiaries.** Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any Person other than the City.

4.8 **Binding on Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and assigns.

4.9 **Entire Agreement.**

4.9.1 This Agreement includes six (6) pages that constitute the entire understanding and agreement regarding the subjects addressed in this Agreement.

4.9.2 This Agreement integrates all of the terms and conditions mentioned in this Agreement or incidental to this Agreement and supersedes all previous agreements with respect to the subjects addressed in this Agreement.

[SIGNATURES ON THE NEXT PAGE]

SIGNATURE PAGE TO
INTER-FUND LOAN AND REPAYMENT AGREEMENT
(Water Reclamation Utility Fund to Reclaimed
Water Utility Fund)

IN WITNESS WHEREOF, the City on behalf of the Reclaimed Water Utility Fund and Water Reclamation Utility Fund executes this Agreement to evidence the obligations of each such fund under the terms and conditions of this Agreement.

CITY OF CORONA

CORONA UTILITY AUTHORITY

By: _____
Mayor

By: _____
President

ATTEST:

ATTEST:

By: _____
City Clerk

By: _____
Secretary

APPROVED AS TO FORM:

APPROVED AS TO FORM:

By: _____
City Attorney

By: _____
General Counsel