

## **INTER-FUND LOAN AGREEMENT**

This INTER-FUND LOAN AGREEMENT ("Agreement") is entered into this 25<sup>th</sup> day of February, 2025, by and among the Water Fund and General Fund of the City of Signal Hill (the "City"), each of which has a separate and distinct source of income, to wit, the Water Fund is a special fund and is funded by fees paid by users of the City's water utility and the General Fund is funded by various revenue sources of the City such as its taxes, fees, and penalties.

### **RECITALS**

A. The City owns and operates a municipal water system that provides service to its constituents (the "Water Utility").

B. The City maintains the Water Fund as an enterprise fund for the purpose of owning and operating the Water Utility.

C. The City now desires to make improvements related to the roof rehabilitation of the Gundry Reservoir, as more particularly described in Exhibit A, that is funded from the Water Fund (the "Gundry Reservoir Roof Replacement and Rehabilitation Project" or "Project").

D. While the Water Fund is funded by fees paid by users of the municipal water system, it currently lacks sufficient funding to carry out the Project.

E. The City desires to loan funds from its General Fund reserves, in lieu of obtaining third party financing, to the Water Fund for the purpose of carrying out the Gundry Reservoir Roof Replacement and Rehabilitation Project (the "Inter-Fund Loans").

F. This Inter-Fund Loan Agreement shall serve as a third Inter-Fund Loan. The first Inter-Fund loan from General Fund Reserve to the Water Fund was approved by City Council on August 3<sup>rd</sup>, 2015, for a not to exceed amount of \$2,750,000 with anticipated payment completion date in 2027. The second Inter-Fund from the General Fund Reserve to the Water Fund was approved by the City Council on February 14<sup>th</sup>, 2023, for a not-to-exceed amount of \$1.9 million.

G. The Inter-Fund Loan serves a public purpose by ensuring the continued enhancement and improvement of the municipal water system to the benefit of both the City's constituents and the Water Utility's users.

### **COVENANTS**

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, the General Fund and Water Fund hereby agree as follows:

1. Recitals Incorporated.

The Recitals are true and correct and are incorporated into this Agreement by this reference.

2. Inter-Fund Loan.

On or after February 25, 2025, the General Fund may provide for inter-fund loans on the terms specified below to the Water Fund to the extent necessary to fund the Project but in an amount that is to not exceed \$3 million. This amount is based upon the reasonable expected cost of the water well project as determined by the Public Works Department. All interfund loans shall be tracked by the City's Finance Department. The funds may only be used for costs associated with the Project.

3. Repayment.

The Water Fund agrees to repay the Inter-Fund Loan Amount, with interest accruing at three percent over 20 years beginning upon issuance of notice of completion of the project and start of operation of the Project. The interest rate is calculated based on the City's estimated rate of return on investment of surplus General Funds. An annual minimum amount of \$150,000 shall be transferred or paid to the General Fund reserve, subject to Section 4 below.

4. Subordination.

The indebtedness hereunder and under current and future Inter-Fund loans shall be junior and subordinate to (i) all existing and future bonds, loans or other direct indebtedness of the Water Fund; (ii) all existing and future financial agreements and other contractual obligations of the Water Fund; and (iii) all operations and maintenance costs of the Water Fund; provided however that the Water Fund may incur indebtedness that is subordinate to the Inter-Fund Loan pursuant to Section 5 below.

5. Additional Debt.

The Water Fund may incur indebtedness which is superior, on a parity or subordinate to the Inter-Fund Loan. In the absence of an express determination by the Water Fund to the contrary, any such indebtedness shall be superior to the Inter-Fund Loan.

6. Prepayment; Suspension of Payment.

The Water Fund may prepay any Inter-Fund Loan without penalty at any time during the term of the Inter-Fund Loan. The City Council may temporarily suspend principal and interest payments at any time due to critical funding needs of the Water Department for a period not-to-exceed three consecutive years. The Water Fund shall be required to resume annual principal and interest payments after the conclusion of the suspension period.

7. Entire Agreement; Amendment.

This Agreement shall constitute the entire agreement related to the Inter-Fund Loan. Except as otherwise provided, this Agreement may be modified or amended only by an agreement approved by the City Council.

8. Non-Liability of City Officials, Officers, and Employees.

No officer, official, employee, agent, representative, or volunteer of the City shall be personally liable for any amount which may become due to the City hereunder.

9. Termination of Agreement.

This Agreement shall continue in full force and effect for a period of and the obligations of the Water Fund shall terminate on written notice by either party of such termination or payment in full of the Inter-Fund Loan, whichever occurs first.

10. Loan Forgiveness.

Continued financial hardship including but not limited to emergency, drought, unforeseen or sudden failure of infrastructure shall warrant forgiveness of this loan upon review and approval by the City Council.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date and year first written above.

CITY OF SIGNAL HILL (GENERAL FUND)

By: \_\_\_\_\_  
Keir Jones  
Mayor

ATTEST:

\_\_\_\_\_  
Kimberly Boles  
Assistant City Clerk

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Matthew E. Richardson  
City Attorney

CITY OF SIGNAL HILL (WATER FUND)

By: \_\_\_\_\_  
Keir Jones  
Mayor

ATTEST:

\_\_\_\_\_  
Kimberly Boles  
Assistant City Clerk

Exhibit "A"  
PROJECT DESCRIPTION

The Gundry Reservoir Roof Replacement Project is located at 3315 Gundry Ave Signal Hill CA 90755. Inter-Fund Loans will be utilized to fund the construction of this project. Associated improvements will include the following but not limited to:

Gundry Reservoir and Sand Basin: Replacement of the roof steel structure and light-gauge cold-formed cover: The steel structure shows a significant amount of corrosion and mineral build-up therefore proper steel framing is required per code to sustain wind and seismic load. Due to the level of required repairs, minimal remaining useful life, and seismic vulnerabilities of the light-gauge cold-formed roof cover, it is required that the roof be replaced rather than repaired.

Exterior Concrete Wall: Modification to the existing wall may be required to accommodate the new roof structure.

Roof Ventilation: The existing ventilation has sustained corrosion and will require improvements designed per the reservoir demand and current codes.

Exhibit B  
Schedule