

CITY OF YUBA CITY  
STAFF REPORT

**Date:** April 15, 2008  
**To:** Honorable Mayor & Members of the City Council  
**From:** Public Works Department  
**Presentation by:** Steven Jepsen, City Manager

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**Summary**

**Subject:** Amended Loan Agreement with Sutter Butte Flood Control Agency- Star Bend Setback Levee Project

**Recommendation:** Authorize the Mayor to execute an amended loan agreement with Sutter Butte Flood Control Agency for an amount of \$1.6 million

**Fiscal Impact:** The \$1.6 million loan will be funded from the City's unallocated impact fees. There is currently a balance available of \$14.4 million in the unallocated impact fee pool. After making this loan, the balance would be reduced to \$12.8 million.

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**Background:**

Levee District 1 (LD1) is sponsoring a project to realign the Star Bend levee by constructing a setback levee at that location. The levee at Star Bend has experienced excessive seepage in high water events and constructing a new levee will improve the levee system in the Yuba City Basin. The State has allocated early implementation funds for the project and, as a condition of providing the funds; they are requiring funds to be set aside for a local match. In previous proceedings your Council approved an agreement with SBFCA allocating \$1.6 million dollars as a loan to be used to cover a portion of the local match. The approved agreement contains provisions that need to be amended and were included as a result of misunderstanding between the Agency staff and City staff.

**Analysis:**

The Sutter Butte Flood Control Agency (SBFCA) is a joint powers agreement between Yuba City, Live Oak, City of Gridley, Sutter County, Butte County, LD1 and LD 9 forming a local entity to deal with flood issues affecting this region. This agency is intended to take the lead and identify levee improvements in the Yuba City Basin and also establish the funding mechanism for the generation of the local match needed as a condition of obtaining State and Federal funding. The attached agreement approves a loan with SBFCA for Yuba City's pledged local match funds for the Star Bend Setback Levee. These funds will be transferred by the agency to LD1 to be spent on this project. The loan agreement contains provisions for paying back the loaned funds if the agency is successful in adopting an assessment or any other funding mechanism in the future to generate funds for levee improvements. In previous proceedings, your Council approved a funding agreement with SBFCA which included the following provision at the end of Section 1:

Specifically, the Agency will act in a supportive role to LD 1, and LD 1 will be expected to take the lead responsibility of requesting and obtaining additional funding from other sources if required. And, with

with respect to any request of Sutter County and the City of Yuba City for additional funding (who are members of the JPA), the Agency will remain completely neutral, and will not take any active role in such requests.”

This language was added to the agreement due to misunderstanding between City staff and Agency staff. We are asking your Council to approve the agreement without including the addition to Section 1.

**Fiscal Impact:**

The \$1.6 million loan will be funded from the City’s unallocated impact fees. There is currently a balance available of \$14.4 million in the unallocated impact fee pool. After making this loan, the balance would be reduced to \$12.8 million.

**Alternatives:**

Deny or modify the recommended action.

**Recommendation:**

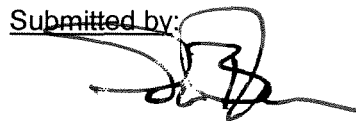
Authorize the Mayor to execute an amended loan agreement with Sutter Butte Flood Control Agency for an amount of \$1.6 million.

Prepared by:



George L. Musallam  
Public Works Director

Submitted by:






Steven R. Jepsen  
City Manager

Reviewed by:

Department Head

Finance

City Attorney

## LOAN AGREEMENT

This Loan Agreement (“Agreement”) is between the City of Yuba City, a municipal corporation (“City”) and the Sutter-Butte Flood Control Agency, a joint powers authority (“Agency”) and is effective on the date last signed below.

### RECITALS

- A. The Agency was formed by the Sutter-Butte Joint Exercise of Powers Agreement (“JPA Agreement”) for the purpose of jointly exercising the powers of its members to provide flood control and protection within the boundaries of the Agency.
- B. Levee District No. 1, a member of the Agency, has applied to the California Department of Water Resources (“DWR”) for approval of State funding for design and construction of a setback levee on the Lower Feather River at Star Bend (the “Project”), contingent upon payment of local share of cost for the Project by Levee District No. 1.
- C. The Agency is in need of funding to provide the required local share of funding for the Project.

### THE PARTIES AGREE AS FOLLOWS:

- 1. **Loan of Funds by City.** The City agrees to lend to the Agency the sum of One Million Six Hundred Thousand Dollars (\$1,600,000)(the “Loan”) to be used to fund the local cost share of the Project. Interest on the Loan shall be paid at the County pooled treasury rate.
- 2. **Disbursement of Loan Funds.** The Agency shall only disburse Loan funds in accordance with the Project as approved by DWR in the Lower Feather River Setback Levee at Star Bend project document, which shall be incorporated into this Agreement by reference and attached as Exhibit A upon approval by DWR. The Agency shall not disburse Loan funds for activities not included in the Project scope approved by DWR.
- 3. **Repayment of the Loan.** The City agrees that repayment of the Loan is contingent on the Agency receiving sufficient funds to repay the Loan through a benefit assessment, tax or other source of funding to the Agency. The Agency agrees to repay the Loan if and when the Agency has sufficient funds available. The Agency may make partial payments of the Loan or pay the Loan in one lump sum. Loan payments shall be made payable to the City of Yuba City and sent to:

City of Yuba City  
Attn: Chief Financial Officer  
1201 Civic Center Blvd.  
Yuba City, CA 95993

The Agency agrees that any repayment of the Loan will be proportional to repayment of any loan made to it by the County of Sutter for the same purpose based upon the relative amounts of the respective loans.

4. **Dissolution of Agency.** If the Agency dissolves, the Agency shall no longer be responsible for repayment of the loan but agrees to refund to the City any unused portion of the Loan, to the extent allowed by law and the JPA Agreement.
5. **Amendments.** This Agreement may be amended only in writing signed by both parties.
6. **Applicable Law.** The laws of the State of California shall be applied to interpret this Agreement. Any litigation arising under this Agreement shall be brought in the Superior Court of Sutter County.
7. **Entire Agreement.** This Agreement is the entire agreement between the parties regarding the Loan and supersedes any other prior oral or written agreement.

CITY OF YUBA CITY

SUTTER-BUTTE FLOOD  
CONTROL AGENCY

By: \_\_\_\_\_  
Rory Ramirez  
Mayor

By: \_\_\_\_\_  
John Miller  
Chairman

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

ATTEST:

APPROVED AS TO FORM

TERREL LOCKE  
CITY CLERK

By: \_\_\_\_\_  
Janet Bender  
Deputy County Counsel  
Interim Counsel for Sutter-  
Butte Flood Control Agency

By \_\_\_\_\_  
Deputy

APPROVED AS TO FORM

By: \_\_\_\_\_  
Tim Hayes  
City Attorney