

## CITY COUNCIL

For City Clerk's Use:

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**APPROVED**

☐

**DENIED**

Reso No. \_\_\_\_\_

File No. \_\_\_\_\_

Ord No. \_\_\_\_\_

Agenda Item No.: 8

Date: May 19, 2010

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Gilbert Rojas, Director of Finance

**SUBJECT:** Approval of a Line of Credit with Escondido Education Compact (EEC)

**RECOMMENDATION:**

It is requested that Council adopt Resolution No. 2010-80.

**FISCAL ANALYSIS:**

This agreement has no financial impact on the City due to Escondido Education Compact paying portfolio interest rates.

**BACKGROUND:**

This agreement renews a Line of Credit that has been in place since January 3, 2001. It has been renewed on October 23, 2002, July 14, 2004, May 24, 2006, and October 1, 2008. The City funds are used by EEC as cash flow since all grant reimbursements received by the agency are on a cost reimbursement basis.

Respectfully submitted,



Gilbert Rojas,  
Director of Finance

## RESOLUTION NO. 2010-80

A RESOLUTION OF THE CITY COUNCIL OF  
THE CITY OF ESCONDIDO, CALIFORNIA,  
ESTABLISHING A LINE OF CREDIT FOR  
ESCONDIDO EDUCATION COMPACT

WHEREAS, the City Council co-founded Escondido Education Compact ("EEC") with the Chamber of Commerce, school districts, and area businesses in 1989; and

WHEREAS, EEC is a non-profit organization chartered by a partnership of community groups to support the transition of young people from school to careers; and

WHEREAS, EEC was awarded two grants totaling \$1,166,061 for a one year period that are cost reimbursable; and

WHEREAS, EEC desires a Line of Credit to cover expenditures incurred before receiving reimbursements from the two San Diego Workforce Partnership Grants; and

WHEREAS, the City Council desires to provide a Line of Credit to EEC for its financial obligations, up to the amount of thirty thousand dollars (\$30,000), and has authorized the City Manager to enter into this Line of Credit Agreement ("Agreement") on behalf of the City;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the City Manager is authorized to execute, on behalf of the City, an Agreement establishing a Line of Credit in an amount not to exceed \$30,000 with EEC. A copy of the Agreement is attached to this Resolution as Exhibit "A" and is incorporated by this reference.

## LINE OF CREDIT AGREEMENT

This Agreement is made as of this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

Between: City of Escondido  
201 North Broadway  
Escondido, CA 92025  
("City")

And: Escondido Education COMPACT  
2247 East Valley Parkway  
Escondido, CA 92027  
("EEC")

### WHEREAS:

- A) The City Council co-founded EEC with the Chamber of Commerce, school districts and area businesses in 1989;
- B) EEC is a non-profit organization chartered by a partnership of community groups to support the transition of young people from school to careers;
- C) EEC was awarded two grants totaling \$1,166,061 for a one-year period that are cost reimbursable;
- D) EEC requested a Line of Credit to cover expenditures before receiving reimbursements from the two San Diego Workforce Partnership Grants;
- E) On October 1, 2008, the City Council approved Resolution 2008-196 for a line of credit for this same purpose (the "Original Line of Credit"); and
- F) The City Council desires to extend the Original Line of Credit to EEC for its financial obligations, up to the amount of thirty thousand dollars (\$30,000), and has authorized the City Manager to enter into this Agreement on behalf of the City.

### NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

- 1) City agrees to provide a Line of Credit up to a maximum amount of thirty thousand dollars (\$30,000) to aid EEC to fulfill its financial obligations.

- 2) EEC may make a draw under this Line of Credit by submitting a letter request ("Draw") to the City Director of Finance, Gilbert Rojas, specifying the desired amount of the Draw.
- 3) Upon payment by the City of any amount requested in a Draw by EEC under this Agreement, EEC will become indebted by that amount to the City. Such indebtedness shall bear interest at the City's average portfolio rate, which shall be reviewed quarterly.
- 4) Interest will be paid at the time of principal payment or semi-annually if no principal payment is made within 6 months. Repayment is based on interest due first, then on oldest principal draw.
- 5) Any payment made by the City to EEC as a Draw under this Agreement, shall be accompanied by a letter from the City's Director of Finance, Gilbert Rojas, stating the amount of the current Draw, the total amount of outstanding principal owed by EEC under this Agreement to the City of Escondido, and the amount of remaining credit available to EEC. A copy of each such letter shall be attached to this Agreement, and shall be incorporated by reference.
- 6) The City may terminate this Agreement at any time for any reason with fourteen (14) days advance written notice to EEC.
- 7) If this Agreement has not terminated pursuant to the paragraph above, the Agreement will automatically terminate on June 30, 2012.
- 8) Full repayment of all interest and principal shall be made on the earliest of June 30, 2012, upon termination of this Agreement or in the event of discontinued funding from Grantors.
- 9) After June 30, 2012, any unpaid principal and interest owed by EEC under this Agreement shall be deemed a "Delinquent Balance." The Delinquent Balance shall begin accruing interest on July 1, 2012, at the rate of ten percent (10%) per annum until paid in full.
- 10) This Agreement is between the City and EEC exclusively, and the parties do not intend there to be any third party beneficiaries to the Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year noted below.

CITY OF ESCONDIDO

Date: \_\_\_\_\_

\_\_\_\_\_  
Clay Phillips  
City Manager

Escondido Education COMPACT

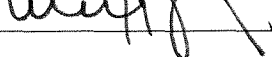
Date: \_\_\_\_\_

\_\_\_\_\_  
Jack Anderson  
Chairman

*(The above signature must be notarized)*

Approved as to Form:

Office of the City Attorney  
JEFFREY R. EPP, City Attorney

By: , Deputy