

INTER-DEPARTMENTAL INTERNAL SERVICE FUND

LOAN AGREEMENT

Between

MONTEREY COUNTY INFORMATION TECHNOLOGY DEPARTMENT

And

MONTEREY COUNTY WORKERS' COMPENSATION INTERNAL SERVICE FUND

WHEREAS, the Information Technology Department ("ITD") has identified critical upgrade, maintenance, and seismic improvement needs to maintain County systems (the "Project"); and

WHEREAS, ITD has prepared a 5-year implementation plan for the Project at a total cost of approximately \$11 million; and

WHEREAS, funding in the amount of approximately \$4.2 million will be needed for the implementation plan during Fiscal Year 2014-15; and

WHEREAS, funding available to ITD during Fiscal Year 2014-15 will only cover approximately \$1.2 million of the necessary amount, leaving approximately \$3 million in funding for which a source must be identified; and

WHEREAS, the County's Workers' Compensation Internal Service Fund ("ISF"), managed by the Risk Management Division of the County Counsel's Office, currently has a balance of approximately \$58.7 million; and

WHEREAS, the State Controller's "Handbook of Cost Plan Procedures for California Counties" permits an ISF to loan available funds to other county departments under specific conditions; and

WHEREAS, such a loan will be the most cost-effective vehicle to fully fund ITD's implementation plan; and

WHEREAS, the loan will meet all the State Controller's requirements; NOW THEREFORE,

ITD and the ISF agree as follows:

1. The ISF loans to ITD the sum of \$3,054,491 for the sole purposes of implementing the Project in Fiscal Year 2014-15 (the "Loan").

2. The Loan will be recorded as an account receivable in the ISF's financial records, and will be included in the measurement of the ISF's assets for any actuarial purpose.
3. The Loan will be repaid to the ISF no later than 36 months following the effective date of this agreement.
4. The loan will bear simple interest at the net County Treasury Pool earnings rate, paid quarterly, which rate is the same rate as the ISF would have earned had the Loan not been given.
5. The ISF may demand accelerated repayment of all or any part of the Loan if its cash requirements so dictate, as determined by the County's Risk Manager in consultation with the CAO Budget Office.
6. The effective date of this agreement is the date last executed by either signatory, which date is July ____, 2014.

Information Technology Department

Workers' Compensation
Internal Service Fund

Dianah L. Neff
Director

Steven F. Mauck
Risk Manager

Dated: July ____, 2014

Dated: July ____, 2014

APPROVED AS TO FORM AND LEGALITY

CHARLES J. MCKEE, County Counsel

By _____
Leslie J. Girard
Chief Assistant County Counsel

APPROVED AS TO FISCAL PROVISIONS

MICHAEL J. MILLER, Auditor-Controller

By _____
Ron Holly
Chief Deputy Auditor-Controller