

North Davis Meadows County Service Area

Fiscal Update 10-17-21

Purpose:

The North Davis Meadows (NMD) County Service Area (CSA) Advisory committee received an update on its loans from the County of Yolo at its May 25, 2021 meeting.

At that time, the County Chief Financial Officer recommended the Community pay off its remaining loans. The conclusion of that discussion was that the community was comfortable paying off its Sewer Loan at maturity in June, 2021 assuming the fund had sufficient resources to do so. However, the Community wanted additional information on the options for payoff of its \$275,000 water loan (described below), a refresher on loan terms that were agreed to, a balance sheet showing their fiscal condition (provided as Attachment A), and an opinion from County Counsel (provided separately) whether the option to use assessments related to the Water Connection project was a permissible source.

This update is intended to provide that additional information requested regarding the CSA's finances.

Loan Background and Terms

The CSA has taken out three loans over the past several years as shown below with the applicable terms. Two of the loans have been repaid and one loan remains at this time. The loans and applicable information are described below.

Fund	Loan #	Loan Date	Loan Amount	Purpose	Terms and Status
Water	1	06/27/2017	\$430,000	Borrowing for planning related to the Water Connection Project. Originally to be reimbursed by State Revolving Fund Loan.	Loan required to be paid in 4 years to comply with CSA law. Due June 27, 2021. The Loan was a simple interest loan (not compounding) and charged at the rate of the County Treasury Pool (1.05% for FY20/21) The loan was supported by the CSA Advisory Committee at its January 26, 2021 meeting to be repaid. The Board of Supervisors released the impound and this loan and applicable interest was paid at maturity.
Water	2	05/09/2019	\$275,000	CSA exceeded borrowing limit and incurred operational deficit partially due to changes in Water Connection Project inability to get SRF loan at the time due to litigation	The Loan was originally extended on the same terms as Loan #1 which resulted in a simple interest loan at the Treasury pool rate and due June 27, 2021.

					The Loan remains unpaid and based on discussion with the Advisory Committee, County staff received a one-year extension through June 27, 2022.
Sewer	1	6/27/2017	\$92,081	Borrowing to close a deficit in the CSA Sewer fund. Expected to be recouped through Sewer Fees.	<p>Loan required to be paid in 4 years to comply with CSA law. Due June 27, 2021.</p> <p>The Loan was a simple interest loan (not compounding) and charged at the rate of the County Treasury Pool (1.05% for FY20/21)</p> <p>Loan was partially paid after the January 26, 2021 CSA advisory committee meeting and the balance was repaid at maturity on June 27, 2021.</p>

Options for Remaining Loan:

At the May 25, 2021 meeting, the loans were discussed. The Community Advisory Committee wanted additional information on the options for repayment for the one remaining Water Loan in the amount of \$275,000. Thus below are the three options that staff have identified for discussion as well as identified advantages and disadvantages:

- 1) Repay the loan using accumulated Water fees (including water fees related to the connection project impounded while the Prop. 218 litigation was pending).
 - a. CSA has already accumulated these funds. CSA would have no debt and would aid in creditworthiness while pursuing SRF financing for Connection Project
 - b. Immediate resolution, if able to speedily obtain SRF financing there is a possibility of grant funding to reduce total cost
 - c. Determined to be allowable by County Counsel
- 2) Increase water rates to repay the funds borrowed from the Water fund and cover increased costs of service going forward.
 - a. Lengthy process and unclear at this time and would required an additional Prop. 218 process with uncertain results
 - b. Already obtained one loan extension, likely would need to request another given the timing to pass a Prop. 218 rate increase and accumulate funds.
 - c. Without clear repayment schedule or source, may impact ability for CSA to obtain SRF financing and delay water project. Delays in SRF funding may result in loss of grant opportunity.
- 3) Reduce services as a source to repay the Loan
 - a. Unlikely service reductions could be done significant enough to repay timely or without major impact to CSA

