

Olivehurst Public Utility District



Agenda Item Staff Report

Meeting Date: May 21, 2020

Item description/summary:

Funding for the design of water and wastewater infrastructure for the sports, entertainment and industrial zones in South Yuba County. This item has been discussed in committee. I submitted a request to the Yuba Water Agency Board of Directors a few months ago for a grant in the amount of \$3.5M for the design of the infrastructure referenced above. After working with the Agency staff and attending their virtual PODS committee we came up with the attached "Terms Sheet" that we all tentatively agreed upon pending YWA and OPUD Boards approval. If approved the terms will be crafted into an agreement. Some noteworthy points in the terms are:

- The agency proposed a 50%/50% grant/loan for the \$3.5M so \$1.75M would be a grant and \$1.75M would be a loan as described in the term sheet
- Repayment of the loan portion would be based on OPUD's ability to collect calculated capacity fees for that specific area
- OPUD is only obligated to make loan payments on this loan as the capacity fees are collected
- There is a clause for extenuating circumstances that allows for additional negotiations to alter the terms of the agreement including loan forgiveness

I propose accepting the terms and crafting the agreement. Once the agreement is signed we can begin the design process. If the Board is comfortable, it can approve the forthcoming agreement with the stipulations that 1.) It meets the terms outlined in the term sheet; 2.) OPUD legal counsel and General Manager approve the agreement. This will allow the design phase to start quicker.

Fiscal Analysis:

As described above.

Employee Feedback

None

Sample Motion:

Move to approve the attached "Terms Sheet" and subsequent agreement between OPUD and Yuba Water Agency with the stipulations noted above.

Prepared by:

John Tillotson, P.E., General Manager

Yuba Water Agency and Olivehurst Public Utility District Proposed Grant/Loan Agreement
Terms Sheet
May 13, 2020

The purpose of this terms sheet is to describe a proposed funding agreement between the two parties for a \$3.5 million project to design water and wastewater system improvements to serve the Sports and Entertainment zone and other areas in southeastern Yuba County.

1. Yuba Water Agency would grant \$1.75 million to the Olivehurst Public Utility for the purposes of design of the project and both parties will agree in a Grant Agreement with usual terms.
2. YWA would loan an additional \$1.75 million to the OPUD for the project at the interest rate equal to the annual County treasury rate.
3. Olivehurst Public Utility District would not be required to make payments on the loan for a period of five years after the execution of the loan agreement.
4. The loan would not accrue interest during the five-year period of which no payments are required.
5. After five years, the loan with interest at a rate equal to the average rate of interest earned by funds deposited with the Treasurer of Yuba County during the preceding twelve months of each year. The interest rate will be adjusted annually on June 30th.
6. OPUD may pay the loan principal and interest balance in full by June 30, 2030, or at any time with no prepayment penalty.
7. In the event of extenuating circumstances, both parties agree to engage in additional negotiations to alter terms of this agreement, including loan forgiveness.
8. Both parties understand that funds collected through capacity fees for the entertainment, employment and industrial zones, minus a small administration portion of each fees, which OPUD would retain, serve as the basis for repayment of the loan. The ability of OPUD to repay the loan to YWA is based on the collection of development fees and OPUD shall only be required to repay the loan as fees are collected. OPUD and YWA retain the ability to renegotiate and change the agreement to include the possibility of loan forgiveness should lack of development in the area occur.