



August 30, 2021

TO: Finance Advisory Committee

FROM: Ron Munds, General Manager

SUBJECT: Agenda Item 6 – 08/30/2021 FAC Meeting

Review of Board Item Adopt a Resolution Authorizing the Execution and Delivery of the Third Amendment to the Enterprise Fund Installment Sale Agreement with California Infrastructure and Economic Development Bank (I-Bank).

President

Christine M. Womack

Vice President

Matthew D. Fourcroy

Directors

Charles L. Cesena

Troy C. Gatchell

Marshall E. Ochylski

General Manager

Ron Munds

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DESCRIPTION

The District received a low interest loan in the amount of \$5,000,000 from the California Infrastructure and Economic Development Bank (I-Bank) on December 6, 2004. Term of the loan is for thirty (30) years with an interest rate of 3.05%. Staff is requesting the FAC recommend to the Board the adoption a resolution (attached) authorizing an amendment to the agreement to lower the loan interest rate to 2.5%.

STAFF RECOMMENDATION

Staff recommends that the FAC adopt the following motion:

Motion: I recommend to the Board that the Board adopt Resolution 2021-21 Authorizing the Execution and Delivery of the Third Amendment to the Enterprise Fund Installment Sale Agreement with California Infrastructure and Economic Development Bank.

DISCUSSION

The District received a low interest loan in the amount of \$5,000,000 from I-Bank on December 6, 2004. This loan was to be used on first priority capital improvement projects identified in the 2002 Water Master Plan, focused specifically on the health and safety of the community. Term of the load is for thirty (30) years with an interest rate of 3.05%.

With interest rates trending downward, Director/President Womack inquired with representatives from I-Bank if there were any opportunities available to decrease the interest rate based on current banking market conditions. I-Bank's response was favorable offering the following:

- Reduction in the interest buy rate by 0.055% from 3.05% to 2.5%
- Fee charged for the transaction is 0.5% of loan amount
- Interest rate effective October 1, 2021

The fiscal result of the recommended action is discussed in the Financial Impact section of this report.

Per the discussions with I-Bank, they require the agency's governing Board to adopt a resolution authorizing the execution of the amendment to the loan agreement. Said resolution is attached to this report; staff recommends adoption by the Board.

FINANCIAL IMPACT

The following tables shows the remaining life of the loan at the current and reduced interest rate and the associated savings (minus the loan refinance fee).

Under Current Loan @ 3.05%	
Interest	\$643,158.84
Annual Fee	\$63,261.53
Total	\$706,420.36

New Loan @ 2.5% (+ 2 months)	
Interest	\$524,495.12
Annual Fee	\$62,626.78
Total	\$587,121.90
Refinance Fee (1X)	\$14,210.56
Total	\$601,332.46

Net Savings	\$105,087.90
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Attachment

Resolution 2021-21

RESOLUTION NO. 2021-21

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT AUTHORIZING THE EXECUTION AND
DELIVERY OF THE THIRD AMENDMENT TO THE ENTERPRISE FUND INSTALLMENT SALE
AGREEMENT**

WHEREAS, the Los Osos Community Services District ("District") entered into an Enterprise Fund Installment Sale Agreement with the California Infrastructure and Economic Development Bank (I-Bank) on December 6, 2004 for a loan amount of \$5,000,000; and

WHEREAS, the term of the loan is for thirty (30) years with 3.05% interest rate; and

WHEREAS, IBank has agreed to an amendment to amend Section 2.03 (2) of the Enterprise Fund Installment Sale Agreement to change the interest rate from 3.05 to 2.5%; and

WHEREAS, IBank requires that the District Board of Directors adopt a resolution authorizing the execution and delivery of the Third Amendment to the Enterprise Fund Installment Sale Agreement.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE LOS OSOS COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOW:

Section 1. The District is a party to that certain Enterprise Fund Installment Sale Agreement with California Infrastructure and Economic Development Bank ("IBank"), dated December 6, 2004.

Section 2. IBank has the authority to issue and has issued tax-exempt bonds and uses payments made by the District under the Enterprise Fund Installment Sale Agreement to secure such bonds.

Section 3. The General Manager-Secretary is authorized and directed to execute and deliver the Third Amendment to the Enterprise Fund Installment Sale Agreement proposed to be entered into by the District and IBank, dated as of October 1, 2021, for and on behalf of the District.

Section 4. The General Manager-Secretary is hereby authorized and directed, in the name and on behalf of the District to take any and all steps and to execute and deliver any and all certificates, contracts and other documents which they might deem necessary or appropriate in order to consummate the delivery of the Third Amendment and otherwise to effectuate the purposes of this resolution and such actions previously taken by the employees of the District are hereby ratified and confirmed. As executed and delivered, such document shall be in substantially the form presented at this meeting, with such minor additions thereto or minor changes therein as the officers executing such document shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. This resolution shall take effect from and after its passage, approval and adoption.

On the motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

Ayes: _____
Noes: _____
Abstain: _____
Absent: _____

The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 9th day of September 2021.

Christine M. Womack
President, Board of Directors
Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

Ron Munds
General Manager and Secretary to the Board

Jeffrey A. Minnery
District Legal Counsel