



## City of Needles, California Request for City Council Action

☒ CITY COUNCIL ☐ NPUA ☐ SARDA ☒ Regular ☐ Special

**Meeting Date:** October 24, 2023

**Title:** Resolution of the City Council of the City of Needles Authorizing a Grant Anticipation Note Application

**Background:** In 2022, the City of Needles ("City") entered into various grant agreements to provide grant funding for parks and related public facilities projects in the City (the "Grant Projects"). The Grant Projects include Duke Watkins Park, the First Beach project, Jack Smith Park trail, golf course irrigation, certain street improvements and hazard mitigation projects. The estimated total cost for the projects is approximately \$6.55 million.

The City anticipates completing the majority of the Grant Projects in Fiscal Year 2023-2024 ("Fiscal 2024"). Under the grant agreements, the City will pay invoices from General Fund or other funding sources and subsequently request reimbursements from the granting agencies. Typically, the processing time for grant reimbursements is approximately 90 days.

Based on the City's current capital spending plan, it is expected that there will be a cumulative \$4.8 million cash outlay by April 2024 for the Grant Projects. In addition, the City anticipates \$2.3 million of capital expenditures for street and hazard mitigation projects in Fiscal 2024, which are not covered by grants. In 2023, the City engaged Urban Futures, Inc. ("UFI") as municipal advisor and Best, Best and Krieger ("BBK") as legal counsel to explore possible financing solutions to meet the significant cash flow requirements for the Grant Projects.

On behalf of the City, UFI reached out to various lending institutions to inquire about loan options, including the Rural Community Assistance Corporation ("RCAC"). RCAC has a program whereby it purchases Grant Anticipation Notes ("GANs") from communities in the Western United States, such as the City. RCAC has indicated it can offer a revolving line of credit secured by grant revenues for a term sufficient to cover construction of the Grant Projects. RCAC has provided an indicative interest rate of 5.5% for amounts drawn under the facility in addition to a one-time upfront loan fee of 1.5%.

This agenda item authorizes the City to submit an application to RCAC, which is the first step in this process. Once the loan application is approved, the City's financing team will work with RCAC to finalize the GAN documents. City staff expects to return to City Council later this year to authorize the GAN issuance. It is currently expected that the GAN transaction will close by early 2024.

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**Fiscal Impact:** RCAC has proposed an indicative interest rate of 5.5% as well as a one-time upfront loan fee of 1.5%. The interest costs, loan fees and other associated costs will be paid by the City's General Fund. Based on an anticipated loan size of \$4 million, it is expected that the RCAC upfront loan fee will be \$60,000. In addition, fees for municipal advisory and legal services are estimated to total \$65,000. Interest costs would be determined by actual draws on the facility, and the agreed-upon interest rate, currently estimated at 5.5%.

**Recommendation:** Staff recommends that the City Council adopt the resolution to authorize an application for the RCAC loan program.

**Submitted By:** Barbara DiLeo, Finance Department

**City Management Review:** *Patricia J. M. J.*

**Date:** 10/19/2023

Approved: ☐

Not Approved: ☐

Tabled: ☐

Other: ☐

Agenda Item: 8

## **RESOLUTION NO. 2023-58**

### **RESOLUTION OF THE CITY COUNCIL OF THE CITY NEEDLES AUTHORIZING A GRANT ANTICIPATION NOTE APPLICATION**

**WHEREAS**, on February 18, 2022, the City of Needles (the "City") entered into a 2018 Parks Bond Act Statewide Park Development and Community Revitalization Grant Contract No. C9803078 (Duke Watkins Park – Project No. SW-36-008) with the State of California Department of Parks and Recreation (the "Department" of Parks and Recreation"), for a grant of \$3,965,400 (the "C9803078 Grant"); and

**WHEREAS**, on April 11, 2022, the City entered into a Grant Contract No. C9801552, 2018 Parks Bond Act Per Capital Grant Program (Project No. 18-36-068) with the Department of Parks and Recreation, for a grant of \$177,952 (the "C9801552 Grant"); and

**WHEREAS**, on April 11, 2022, the City entered into a Grant Contract No. 39802255, 2018 Parks Bond Act Per Capita Grant Program (Project No. 18-36-069) with the Department of Parks and Recreation, for a grant of \$3,164 (the "39802255 Grant"); and

**WHEREAS**, on July 15, 2022, the City entered into a Clean California Local Grant Program (State) Restricted Grant Agreement No. CCL-5220-009 with the State of California Department of Transportation (the "Department of Transportation"), for a grant of \$2,179,702 (the "CCL-5220-009 Grant," together with the C9803078 Grant, the C9801552 Grant, and the 39802255 Grant referred to as the "Grants"); and

**WHEREAS**, pursuant to Section 53859.02 of the Government Code, the City may borrow money, represented by a grant anticipation note, to be used and expended by the City for the purpose for which the Grants are to be received and which are secured solely by a lien in the proceeds of the Grants; and

**WHEREAS**, the City Council of the City (the "City Council") has found and determined that the sum of \$4 million is currently needed by the City in Fiscal Year 2023-24, before the receipt of Grant funds will be available, and that it is necessary that such sum be borrowed by the issuance of a grant anticipation note (the "Grant Anticipation Note") for the purpose of completing the projects specified in each of the Grants; and

**WHEREAS**, it is anticipated that the Grant Anticipation Note will mature in Fiscal Year 2024-25; and

**WHEREAS**, the Rural Community Assistance Corporation (the "RCAC") has a program whereby it purchases grant anticipation notes from communities such as the City of Needles; and

**WHEREAS**, in order to utilize such program the City must submit an application to the RCAC; and

**WHEREAS**, the City desires to submit an application to the RCAC program to secure funding pursuant to a Grant Anticipation Note.

**NOW THEREFORE, BE IT RESOLVED** by the City Council of the City of Needles as follows:

**Section 1. Recitals.** All of the recitals hereinabove set forth are true and correct.

**Section 2. Grant Anticipation Note Applications.** The City Council hereby authorizes the City Manager, or his designee, to submit an application to the RCAC.

**Section 3. Authorization.** The City Council hereby authorizes and directs the City Manager, or his designee, to complete, review, sign and submit for and on behalf of the City, the Grant Anticipation Note application with the RCAC and take all other actions as he deems necessary to complete and submit the application.

**Section 4. Effective Date.** This resolution shall take effect upon adoption.

**PASSED, APPROVED and ADOPTED** at a regular meeting of the City of Needles,  
held on the \_\_\_\_th day of \_\_\_\_\_, 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Mayor of the City of Needles

**Attest:**

\_\_\_\_\_  
City Clerk of the City of Needles

(Seal)

Approved as to form:

\_\_\_\_\_  
City Attorney