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October 21, 2025

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Discussion and Possible Action Approving Resolution No. 1651.2025
Authorizing the Execution of a Financing Agreement with the State Water
Resources Control Board and Complying with California Government Code
Section 5852.1 in an Amount of \$3,476,082.01 Including Principle and Interest

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Approve Resolution No. 1651; or,

Take no action.

BACKGROUND AND DISCUSSION

This resolution authorizes the City Council to execute a Construction Installment Sale Agreement with the SWRCB to finance construction costs for the water system capital improvement project. The resolution also fulfills mandatory state compliance requirements for disclosure of financing terms.

The project is currently grant funded through the SWRCB DWSRF with a construction budget of \$10,042,590 and a contingency budget of \$1,005,000. As construction continues the current balance of available contingency funding is at \$605,148.00 and these figures are all 100% grant funded.

Despite this impressive level of grant funding for the project, several items were left out of the original project in order to meet the available grant funding budget. Requests to the SWRCB to increase the level of grant construction funding were not successful. However staff have been working with the SWRCB on a low interest loan to cover the additive items that were left out of the original project. If approved, the city will use the remaining contingency and \$2,345,806.00 in loan principle to complete the original scope of the Water Capital Improvement Project.

If approved, additional work will be conducted on the following streets: Eeloa, North, Rigby, Painter, Walker, Berkeley, Davis and Center. This work includes a number of hydrants, meters and valves in addition to piping and service lines.

The City previously entered into a Construction Installment Sale Agreement with the SWRCB on May 4, 2023 (Project No. 1210012-008C). In August 2024, the City Council adopted Resolution No. 1618-2024 approving the project and identifying state financing through the SWRCB as a funding source. This resolution completes the authorization process by disclosing required financing information as mandated by California Government Code Section 5852.1.

Principal Amount: \$2,345,806.00
True Interest Cost: 1.900%
Finance Charges: \$1,130,276.01
Net Proceeds: \$2,345,806.00
Total Debt Service: \$3,476,082.01

The City currently pays \$136,000 annually on an existing water system loan that is set to expire in July 2029. The new loan payments are expected to begin around 2028, creating a brief overlap period before the existing debt is retired. After 2029, the City's annual debt service drops to \$84,256, approximately \$52,000 less than its current obligations.

Based on the 2022 Rate Study projections, this debt service accounts for approximately 6% of water fund revenues and maintains adequate debt service coverage ratios. The current rate study includes 3% annual increases through 2027, which provides sufficient revenue capacity for these payments.

The City can afford this loan based on current financial projections and debt service capacity. The annual payment of \$84,256 is lower than existing debt obligations and fits within established rate structures. The 1.90% interest rate represents exceptional financing terms unlikely to be available in future market conditions.

Staff recommends proceeding with the loan to capture both the favorable financing opportunity and enhanced infrastructure improvements. The debt service transition timing provides financial advantages while the locked interest rate protects against future market volatility.

While the 40-year commitment extends beyond current planning horizons, the City's established rate-setting process and revenue capacity provide reasonable assurance of long-term manageability. The infrastructure improvements enabled by additional funding should provide operational benefits and regulatory compliance value over the asset lifecycle.

Attachments:

Resolution No. 1651-2025
California DWSRF Payment Schedule

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RESOLUTION NO. 1651-2025

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIO DELL AUTHORIZING THE EXECUTION OF A FINANCING AGREEMENT WITH THE STATE WATER RESOURCES CONTROL BOARD AND COMPLYING WITH CALIFORNIA GOVERNMENT CODE SECTION 5852.1

WHEREAS, the City of Rio Dell (the “City”) has determined that it is in the best interests of the residents to enter into a financing agreement with the State Water Resources Control Board (the “Agreement”) to provide funding for the cost of planning, designing, and constructing certain public facilities related to the City’s drinking water construction project (the “Project”); and

WHEREAS, the City entered into a Construction Installment Sale Agreement for Water Distribution System Improvement Project No. 1210012-008C (the “Agreement”) on or about May 4, 2023, with the State Water Resources Control Board (“SWRCB”); and

WHEREAS, the City adopted a reimbursement resolution on August 20, 2024, as Resolution No. 1618-2024, approving the Project or portions of the Project with moneys, including loans and grants (“Project Funds”), to be provided by the State of California through the SWRCB; and

WHEREAS, in accordance with California Government Code Section 5852.1, the City Council is required to obtain and disclose, prior to authorization of the Agreement, certain information relating to the financing, which has been provided to the City by SWRCB; and

WHEREAS, such information includes (i) the true interest cost of the financing, (ii) the finance charge of the financing, meaning the sum of all fees and charges paid to third parties, (iii) the amount of proceeds received by the City, and (iv) the total payment amount to be made to service the financing.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF RIO DELL:

1. Recitals, The foregoing recitals are true and correct and are hereby incorporated by reference.

2. Project Funds. The City intends to borrow a maximum principal amount of **Two Million, Three Hundred Forty-Five Thousand, Eight Hundred Six Dollars and Zero Cents (\$2,345,806.00)** for the Project, with the following financing terms:

- a. True Interest Cost of the Financing: **1.900%**
- b. Finance Charge of the Financing (sum of fees/charges paid to third parties): **\$1,130,276.01**
- c. Proceeds to be Received (net of costs): **\$2,345,806.00**
- d. Total Repayment Amount (total debt service): **\$3,476,082.01**

3. The City Council hereby finds that the above information was obtained in good faith and represents the City's reasonable expectations regarding the Agreement.

4. This Resolution shall take effect immediately upon its adoption.

5. To the best knowledge of the City, the City is not aware of the previous adoption of official intents by the City that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

PASSED AND ADOPTED by the City Council of the City of Rio Dell, State of California, on October 21, 2025, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Debra Garnes, Mayor

ATTEST:

I, Karen Dunham, City Clerk for the City of Rio Dell, State of California, hereby certify the above to be a full, true and correct copy of Resolution No. 1651-2025 adopted by the City Council of the City of Rio Dell on October 21, 2025.

Karen Dunham, City Clerk

California DWSRF Payment Schedule

Project No. 1210012-008C - Rio Dell, City of
Agreement: D2202019 - based on Projected Disbursements
Water Distribution System Improvement Project

Principal is paid over: 40 Years
Interest rate: 1.90000%

Ref Num	Due Date	Date Received	Principal Payment	Interest Rate%	Interest Payment	Total P and I Payment	Total Payment	Ending Balance	CPI Interest
1	3/30/2026		0.00	1.900	61,866.48	61,866.48	61,866.48	2,149,060.88	0.00
2	3/30/2027		0.00	1.900	43,978.44	43,978.44	43,978.44	2,345,806.00	0.00
3	3/30/2028		39,685.62	1.900	44,570.31	84,255.93	84,255.93	2,306,120.38	0.00
4	3/30/2029		40,439.64	1.900	43,816.29	84,255.93	84,255.93	2,265,680.74	0.00
5	3/30/2030		41,208.00	1.900	43,047.93	84,255.93	84,255.93	2,224,472.74	0.00
6	3/30/2031		41,990.95	1.900	42,264.98	84,255.93	84,255.93	2,182,481.79	0.00
7	3/30/2032		42,788.78	1.900	41,467.15	84,255.93	84,255.93	2,139,693.01	0.00
8	3/30/2033		43,601.76	1.900	40,654.17	84,255.93	84,255.93	2,096,091.25	0.00
9	3/30/2034		44,430.20	1.900	39,825.73	84,255.93	84,255.93	2,051,661.05	0.00
10	3/30/2035		45,274.37	1.900	38,981.56	84,255.93	84,255.93	2,006,386.68	0.00
11	3/30/2036		46,134.58	1.900	38,121.35	84,255.93	84,255.93	1,960,252.10	0.00
12	3/30/2037		47,011.14	1.900	37,244.79	84,255.93	84,255.93	1,913,240.96	0.00
13	3/30/2038		47,904.35	1.900	36,351.58	84,255.93	84,255.93	1,865,336.61	0.00
14	3/30/2039		48,814.53	1.900	35,441.40	84,255.93	84,255.93	1,816,522.08	0.00
15	3/30/2040		49,742.01	1.900	34,513.92	84,255.93	84,255.93	1,766,780.07	0.00
16	3/30/2041		50,687.11	1.900	33,568.82	84,255.93	84,255.93	1,716,092.96	0.00
17	3/30/2042		51,650.16	1.900	32,605.77	84,255.93	84,255.93	1,664,442.80	0.00
18	3/30/2043		52,631.52	1.900	31,624.41	84,255.93	84,255.93	1,611,811.28	0.00
19	3/30/2044		53,631.52	1.900	30,624.41	84,255.93	84,255.93	1,558,179.76	0.00
20	3/30/2045		54,650.51	1.900	29,605.42	84,255.93	84,255.93	1,503,529.25	0.00
21	3/30/2046		55,688.87	1.900	28,567.06	84,255.93	84,255.93	1,447,840.38	0.00
22	3/30/2047		56,746.96	1.900	27,508.97	84,255.93	84,255.93	1,391,093.42	0.00
23	3/30/2048		57,825.16	1.900	26,430.77	84,255.93	84,255.93	1,333,268.26	0.00
24	3/30/2049		58,923.83	1.900	25,332.10	84,255.93	84,255.93	1,274,344.43	0.00
25	3/30/2050		60,043.39	1.900	24,212.54	84,255.93	84,255.93	1,214,301.04	0.00
26	3/30/2051		61,184.21	1.900	23,071.72	84,255.93	84,255.93	1,153,116.83	0.00
27	3/30/2052		62,346.71	1.900	21,909.22	84,255.93	84,255.93	1,090,770.12	0.00
28	3/30/2053		63,531.30	1.900	20,724.63	84,255.93	84,255.93	1,027,238.82	0.00
29	3/30/2054		64,738.39	1.900	19,517.54	84,255.93	84,255.93	962,500.43	0.00
30	3/30/2055		65,968.42	1.900	18,287.51	84,255.93	84,255.93	896,532.01	0.00
31	3/30/2056		67,221.82	1.900	17,034.11	84,255.93	84,255.93	829,310.19	0.00
32	3/30/2057		68,499.04	1.900	15,756.89	84,255.93	84,255.93	760,811.15	0.00
33	3/30/2058		69,800.52	1.900	14,455.41	84,255.93	84,255.93	691,010.63	0.00
34	3/30/2059		71,126.73	1.900	13,129.20	84,255.93	84,255.93	619,883.90	0.00
35	3/30/2060		72,478.14	1.900	11,777.79	84,255.93	84,255.93	547,405.76	0.00

California DWSRF Payment Schedule

Project No. 1210012-008C - Rio Dell, City of
Agreement: D2202019 - based on Projected Disbursements
Water Distribution System Improvement Project

Principal is paid over: 40 Years
Interest rate: 1.90000%

Ref Num	Due Date	Date Received	Principal Payment	Interest Rate %	Interest Payment	Total P and I Payment	Total Payment	Ending Balance	CPI Interest
36	3/30/2061		73,855.22	1.900	10,400.71	84,255.93	84,255.93	473,550.54	0.00
37	3/30/2062		75,258.47	1.900	8,997.46	84,255.93	84,255.93	398,292.07	0.00
38	3/30/2063		76,688.38	1.900	7,567.55	84,255.93	84,255.93	321,603.69	0.00
39	3/30/2064		78,145.46	1.900	6,110.47	84,255.93	84,255.93	243,458.23	0.00
40	3/30/2065		79,630.22	1.900	4,625.71	84,255.93	84,255.93	163,828.01	0.00
41	3/30/2066		81,143.20	1.900	3,112.73	84,255.93	84,255.93	82,684.81	0.00
42	3/30/2067		82,684.81	1.900	1,571.01	84,255.82	84,255.82	0.00	0.00
			2,345,806.00		1,130,276.01	3,476,082.01	3,476,082.01		0.00