
675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
(707) 764-5480 (fax)



DATE: July 16, 2024

TO: Mayor and Members of the City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Authorize the City Manager to sign RCAC Commitment Letter

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to sign the RCAC Commitment Letter

BACKGROUND AND DISCUSSION

This memo provides an update on the financing strategy for the City of Rio Dell's Water Distribution System Improvement Project (Project), authorized by Agreement No. D2202019 with the California State Water Resources Control Board (State Water Board).

Project Overview:

Total Funding: \$12,862,989
Construction Budget: \$10,042,590
Completion Deadline: February 28, 2025

Discussion:

The City is pleased to announce the upcoming commencement of the Water Distribution System Improvement Project, slated to begin in late spring or early summer of 2024. This crucial initiative will enhance the reliability and efficiency of our water delivery system, ensuring residents have continued access to clean, safe drinking water.

Our agreement with the State Water Board includes upfront payments to contractors by the City, followed by reimbursement from the State. However, the State anticipates a processing delay, with reimbursements not arriving until August 2024. To bridge this temporary funding gap and avoid any project timeline disruptions, the City is pursuing a short-term financing solution.

Through a careful selection process, the City has identified the Rural Community Assistance Corporation (RCAC) as a strong potential partner. RCAC boasts a proven track record of supporting rural communities with infrastructure projects, and we've had the pleasure of collaborating with them on successful past endeavors like the Water Transmission Main, Tank Replacement, and Raw Water Intake System project (total value: \$3.6 million).

Our dedicated staff has been diligently working with RCAC to finalize the financing terms. A detailed Commitment Letter outlining the specifics of the proposed agreement is attached to this communication. At the April 2, 2024, City Council meeting, the Council approved Resolution 1600-2024, which, among other things, authorizes the City Manager to execute in the name of the City, the loan application and the loan agreement, promissory note, and security and other instruments, and any and all documentation for the disbursement of funds required by RCAC to make and secure the loan and any amendments thereto.

By taking this proactive approach to secure short-term funding, the City aims to ensure the Water Distribution System Improvement Project progresses on schedule and achieves its intended purpose. We remain committed to minimizing any potential cash flow disruptions and will continue to keep the Council informed of all further developments.

ATTACHMENTS

-Rural Community Assistance Corporation Commitment Letter

-Resolution No. 1600-2024 Resolution to Borrow – Rural Community Assistance Corporation



Corporate Office:
3120 Freeboard Drive, Suite 201
West Sacramento, CA 95691
(916) 447-2854 • Fax (916) 447-2878

July 2, 2024

Mr. Kyle Knopp, City Manager
City of Rio Dell
675 Wildwood Avenue
Rio Dell, CA, 95562

Re: Water Distribution System Improvement Project
Rio Dell, Humboldt County, CA
Loan No.: 1144-CRD-05
Commitment Letter ("Commitment")

Dear Mr. Knopp:

I am pleased to inform you that on June 28, 2024, the Rural Community Assistance Corporation ("Lender" or "RCAC") conditionally approved a loan ("Loan") to City of Rio Dell ("Borrower") under the following general terms and conditions:

1. **Borrower:** City of Rio Dell ("Borrower")
2. **Project Name:** Water Distribution System Improvement Project (the "Project")
3. **Loan Amount:** Five Million Two Hundred Sixty Thousand Nine Hundred Fourteen Dollars and No Cents (\$5,260,914.00)
4. **Loan Purpose:** Revolving Line of Credit for water system improvement with SWRCB funding
5. **Security:** Grant Anticipation Note/Loan Agreement
6. **Interest Rate:** When loan is closed before the expiration date of the original Commitment term of December 28, 2024, the interest rate is five and one-half percent (5.50%) for the 12 month term of this Loan. If there is an extension to this Commitment, Lender has sole discretion to change the Interest Rate based on market conditions at the time of such extension request.
7. **Loan Term:** Twelve (12) months ("Loan Term")
8. **Loan Fees:** Borrower shall pay Lender a nonrefundable loan origination fee equal to one and one-half percent (1.50%) of the loan amount or Seventy-Eight Thousand Nine Hundred Fourteen Dollars and No Cents (\$78,914.00). This fee is due and payable on the Closing Date.
9. **Commitment Term:** This Commitment will expire on December 28, 2024. Any extension of the Commitment period is contingent on RCAC approval. Interest Rate shall be based on market conditions at the time of such extension request. In addition, Borrower to pay Lender a Commitment extension processing fee of \$250.00 for an extension of up to six months. Borrower to pay fee at time of extension.

10. **Closing Date:** The Closing Date shall be mutually agreed upon between Borrower and Lender.
11. **Interest Reserve:** One Hundred Eighty-Two Thousand Dollars and No Cents (\$182,000.00) of the total loan amount is designated as interest reserve ("Interest Reserve") and will be used solely to pay monthly interest accrual on the Loan. Prior to the Closing Date, Lender will review the schedule of disbursements provided by Borrower and verify that the Interest Reserve likely will be sufficient to cover monthly interest over the term of the Loan. Lender reserves the right to adjust the size of the Interest Reserve prior to the Closing Date.
12. **Disbursement:** Seventy-Eight Thousand Nine Hundred Fourteen Dollars and No Cents (\$78,914.00) will be retained by Lender for payment of the Loan Fee. One Hundred Eighty-Two Thousand Dollars and No Cents (\$182,000.00) will be retained by Lender for Interest Reserve.
See 22 b, c, d, below regarding disbursement of funds for the water system improvements.
13. **Repayment:** All principal and accrued unpaid interest shall be paid upon loan maturity. Interest to be paid monthly in arrears from Interest Reserve account. In the event Interest Reserve account funds become depleted, Borrower will pay interest monthly.
14. **Underwriting & Affordability Criteria:** The Loan, the Project, and Borrower shall meet and conform in all material respects to all projections and other information relating thereto which has been submitted by Borrower as of the date hereof and shall conform to such other underwriting criteria required by Lender as of the Closing Date.
15. **Expenses:** Except as otherwise provided herein, Borrower and Lender shall each pay its own expenses in connection with the transactions contemplated hereby. Borrower, however, shall pay all legal fees, if any, in connection with the origination of the loan.
16. **Condition of Project:** The Project shall comply with all necessary licenses, approvals, and permits necessary in connection with the, use and operation of the Project. The Project and its use shall comply with all applicable zoning, environmental and all other applicable laws, rules, regulations, ordinances, guidelines and requirements.
17. **Loan Documentation and Information:** All terms and conditions set forth in this Commitment letter to Borrower shall have been satisfied and fulfilled. All documentation pertaining to the Loan, including, without limitation, the Grant Anticipation Note/Loan Agreement, and all other documents pertaining to the loan (the "Loan Documents"), shall be in form and substance acceptable to Lender. Borrower agrees to promptly provide to Lender all documentation.
18. **Other Financing:** All other financing contemplated or projected with respect to the Project shall be, or have been, approved in form and substance by Lender.
19. **Notice to Lenders:** No Conflicts with Other Obligations. Borrower shall provide prior written notice to all lenders with respect to the Project regarding the origination of the Loan in connection therewith. Such borrowing shall not constitute a breach of or default under any other agreement or document to which the Borrower is a party and by which it is bound.

20. **Preclosing Conditions:** RCAC must receive and approve these conditions prior to closing the loan:
- a. City Attorney's Opinion letter
21. **Closing Conditions:** RCAC must receive at loan closing:
- a. Grant Anticipation Note/Loan Agreement
22. **Post Closing Conditions:** Borrower agrees to provide RCAC after Closing Date:
- a. Borrower prepared financial statements, prepared in accordance with Generally Accepted Accounting Principles, are due no later than ninety (90) days after Borrower's fiscal year-end of (6/30) of each year

Prior to disbursement for construction and/or site development funds, RCAC must receive and approve of the following:

- b. Copies of disbursements requests submitted to SWRCB
 - c. State concurred in construction contract and payment and performance bonds
 - d. RCAC disbursements limited to amount of funding agreement for forgivable loan
23. **Termination:** Lender, at its option, may cancel this Commitment and terminate its obligations hereunder upon the occurrence of any of the following events:
- a. Failure by Borrower to execute and deliver to Lender a duplicate original of this Commitment within thirty (30) days of the date of this Commitment;
 - b. Failure of Borrower and Lender to enter into the agreement and consummate the transactions contemplated hereby on or prior to December 28, 2024;
 - c. Borrower's failure or inability to comply with any of the terms or conditions set forth herein;
 - d. Any material adverse change in the borrower's financial condition or any material adverse change in the condition, financial or otherwise, of the Project;
 - e. The filing by or against Borrower of any petition in bankruptcy or insolvency or for reorganization or the appointment of a receiver or trustee or the making by Borrower of an assignment for the benefit of creditors or the filing of a petition in bankruptcy or any similar event; provided, however, that Borrower shall have the opportunity to have dismissed any cause of action against it for involuntary bankruptcy within thirty (30) days from the date such action is commenced, provided, further, that nothing contained in this paragraph shall act to change or extend the expiration date;
 - f. The disclosure of any information which Borrower should reasonably have disclosed to Lender before the date of this letter which would have a material adverse effect on the ability of Lender to perform its obligations under this Commitment or of the Loan to comply with the terms hereof; or

- g. The failure of Borrower to disclose or provide to Lender any material information relating to the Loan, the Project, Borrower or the transactions contemplated hereby, or the misrepresentation of any fact or circumstance relating to the Loan, the Project, Borrower or the transactions contemplated hereby.
24. **Nonassignability of Commitment; No Third-Party Beneficiaries:** This Commitment shall not be assigned by Borrower or by operation of law or otherwise without prior written consent of Lender. This Commitment is solely between Lender and Borrower and no other person or entity shall be a direct or indirect beneficiary hereof or hereunder.
25. **Indemnity:** Borrower shall indemnify Lender and its trustees, directors, officers, employees, agents, servants, representatives and affiliates and defend and hold each of them harmless from and against any and all of them directly or indirectly arising out of or resulting from (i) Borrower's failure to observe its covenants or perform its services, duties or obligations under this Commitment, (ii) any misrepresentation of any fact or circumstance relating to the Loan, the Project, Borrower or the transactions contemplated hereby, or (iii) any act of negligence or willful misconduct by Borrower, including any wrongful or negligent omission or failure to act on the part of the Lender, in connection with this Commitment.
26. **Governing Law:** This Commitment shall be governed by and construed in accordance with the laws of the State of California.
27. **Entire Agreement:** This Commitment supersedes all prior agreements, commitments, negotiations or understanding between Borrower and Lender, written or oral, with respect to the transactions contemplated herein, and cannot be amended or modified except by a written agreement between Borrower and Lender.

By this letter and by Borrower's acceptance hereof, Borrower and Lender agree to make the Loan on these terms and conditions, which in the aggregate shall constitute a mutually binding commitment between Lender and Borrower. If the terms and conditions set forth herein are satisfactory to Borrower, please indicate Borrower's agreement of the same by duly executing this letter.

Sincerely,

Rural Community Assistance Corporation,
a California nonprofit public benefit corporation

DocuSigned by:

By: 82FE0C6106B9410
Juanita Hallstrom
Loan Fund Director

7/2/2024
Date: _____

RCAC Commitment Letter
Page 5 of 5

Agreed to and accepted as
of the date written below by:

City of Rio Dell,
a California public body

By: _____
Kyle Knopp
City Manager

Date: _____



RESOLUTION NO. 1600-2024

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIO DELL
RESOLUTION TO BORROW – RURAL COMMUNITY ASSISTANCE CORPORATION**

The City Council of the City of Rio Dell hereby authorizes the submission of a loan application, the incurring of an indebtedness, the execution of a loan agreement and any amendments thereto, a promissory note, and any other documents necessary to secure a loan from Rural Community Assistance Corporation.

WHEREAS, the City of Rio Dell (hereinafter referred to as “City”) is a municipality established under the laws of the State of California and empowered to own property, borrow money and give security for loans.

WHEREAS, Rural Community Assistance Corporation (hereinafter referred to as “RCAC”) is authorized to make loans for housing, environmental infrastructure and community facilities for low-income people; and

WHEREAS, the City wishes to obtain from RCAC a loan for the development of the Rio Dell Water Distribution System Improvement Project (hereinafter referred to as “Project”) on the property located in Rio Dell.

NOW THEREFORE BE IT RESOLVED, by the City Council of the City of Rio Dell

- 1) The City shall submit to RCAC an application for a loan for the Project to be developed in the County of Humboldt in the State of California.
- 2) If the loan is approved, the City is hereby authorized to incur indebtedness in an amount not to exceed the amount approved by RCAC and to enter into a loan agreement with RCAC for the purposes set forth in the loan application and approved by RCAC. It also may give a promissory note and execute security and other instruments required by RCAC to evidence and secure the indebtedness.

- 3) The City is further authorized to request amendments, including increases in the loan amount up to amounts approved by RCAC, and to execute any and all documents required by RCAC to evidence and secure these amendments.
- 4) The City authorizes the City Manager to execute in the name of the City, the loan application and the loan agreement, promissory note, and security and other instruments, and any and all documentation for the disbursement of funds required by RCAC to make and secure the loan and any amendments thereto.
- 5) The City authorizes the City Manager to execute in the name of the City, only that documentation required by RCAC for the disbursement of funds during the term of the loan.
- 6) The City authorizes the City Manager to confirm City bank account information for loan disbursements and payments.

PASSED AND ADOPTED by the City of Rio Dell on this 2nd day of April, 2024 by the following roll call vote:

Ayes:

Noes:

Abstain:

Absent:

Debra Garnes, Mayor

ATTEST: The undersigned Karen Dunham, City Clerk of the City of Rio Dell heretofore named, does hereby attest and certify that the foregoing is a true and full copy of a resolution of the City Council of the City of Rio Dell adopted at a duly convened meeting on the date mentioned above, and that said resolution has not been altered, amended or repealed.

Karen Dunham, City Clerk

Date