

To: Burney Water District Board of Directors
From: David Zevely, District Manager
Date: February 11, 2022
Subject: Information About Interim Loans and Lines of Credit for Gap Financing the Grant Funded Wastewater Treatment Plant Improvement Project and Collection System Improvement Project, Phase 2

Background

The District contacted three lending institutions to received loan and line of credit information: CoBank, Tri Counties Bank, and California Special Districts Association.

CoBank is one of the largest private providers of credit to the U.S. rural economy. The bank delivers loans, leases and other financial services to agribusiness, rural infrastructure and Farm Credit customers in all 50 states.

Tri Counties Bank provides a unique brand of Service with Solutions offering a breadth of personal, small business and commercial banking services to communities throughout California.

California Special Districts Association. Through various programs, featuring both private and public placement, the CSDA Finance Corporation provides affordable financing solutions for capital improvements small and large. We are a member of CSDA.

CoBank

Contact: Bentley Hodges, Vice President, Water Financing Division

We started the conversation about a line of credit on February 2, 2022, and are expecting information in the near future.

Update

On February 10, 2022, Bentley Hodges contacted the District office and spoke to the District Manager and Administrative Assistant. Mr. Hodges said it would not be possible to offer a line of credit to the District for these projects unless both the water and wastewater revenue sources were pledged to secure the line of credit. This pledge may or may not be possible because the water revenue source may be established as a revenue source that is solely established for water related projects and purposes. Therefore, the District Manager reached out to District counsel on February 10, 2022, for advice on whether the water revenue could be used for securing a line of credit for these wastewater projects. The District is waiting for Counsel's advice.

Tri Counties Bank

Contacts: Jessica Strobel at the Burney branch.

Justin Maier, VP Relationship Manager II

On February 8, 2022, Ms. Strobel provided information verbally regarding information she received from the lender. She said they can do a 5 year Line of Credit at around a 5.25% interest rate.

The District provided information the bank requested: Values of District properties, property and building addresses and Buildings (and financial statements?). The information was sent on Friday, January 28th, 2022.

Update

On February 10, 2022, the following information was provided by Justin Maier at Tri Counties Bank: ...general terms and rates regarding a line of credit secured by the real estate that Burney Water District owns. The general structure of the line of credit is up to 50% LTV of the appraised value of the property or properties. The term is 60 months and the payments are interest only. The fees are .25% of the loan amount that is approved plus a \$750 documentation fee, flood certificate of \$10.75 and appraisal is sent out to bid. The rate will be variable and based upon the Wall Street Journal Prime Rate (currently at 3.25%) plus a spread of 1.25-2% based upon the collateral and overall credit strength.

CSDA

Contact: Cathrine Lemaire, CSDA Finance Corporation Coordinator

The CSDA Finance Corporation works with consultants from three firms: Municipal Finance Corporation, Oppenheimer & Co, and Kutak Rock, LLP. Our consultants have contacts with a variety of lenders and investors who are familiar with municipal financing in general and special districts in particular.

When a district member brings a financing request to us, we first look at the size of the request, the desired length of term and the type of project before determining which of our consultants would be the best match. Then that consultant takes the request to their pool of lenders to get the best rate and terms possible.

In the case of Burney Water, Municipal Finance Corporation had three lenders look at the request. Two indicated interest and one gave a rate quote – which you received. The consultant is re-approaching the second lender about the possibility of a line of credit.

After a phone call with Cathrine about line of credit opportunities, CSDA requested the State funding agreements for both projects. Those were sent on Wednesday, February 02, 2022. Collection system agreement is for \$1,775,000. Wastewater treatment plant agreement is for \$6,148,000

Update

The CSDA provided information on a line of credit from First Foundation Public Finance and loans for 3 and 5-year terms:



February 4, 2022

RE: **Burney Water District
2022 Interim Financing**

Based upon your request and preliminary review of the information provided to-date, First Foundation Public Finance ("FFPF") would like express its interest in underwriting and obtaining credit approval for the following Credit Facility to the Burney Water District, CA ("Borrower") based on the terms outlined below. This Letter is provided by First Foundation Public Finance for discussion purposes only. *It is not intended to be binding, does not create any obligation on the part of First Foundation Public Finance to Sponsor or any third party, and is not a commitment to lend or agreement of any kind. No obligation whatsoever on the part of First Foundation Public Finance shall arise until execution and delivery of a formal commitment or loan documentation by a duly authorized officer of First Foundation Public Finance, which obligation shall be subject to all of the conditions contained therein.*

The proposed loan conditions are:

STRUCTURE: Revolving Line of Credit
PURPOSE: Interim project finance
MAX. LOAN AMT: \$2,000,000
INTEREST RATE: Variable, taxable: WSJP + 0.00% (Currently 3.25%)
RATE LOCK: The Rate will be locked for a period of 60-days prior to dosing. If the Credit Facility fails to close within this period, FFPF reserves the right to adjust the rate.
MATURITY: June 30, 2023
REPAYMENT: Semi-annual interest, balloon principal
DRAW LIMIT: Minimum draw amount of \$500,000
UNUSED FEE: 20 bps on unused funds
PRE-PAYMENT: Anytime
COLLATERAL: Borrower's net revenues
COVENANTS: Average annual usage not to exceed 50%

ADDITIONAL TERMS: Documents to be prepared by the Borrower's Bond Counsel for review by FFPF's counsel Nixon Peabody, LLP. Legal fees and expenses of Nixon Peabody, LLP shall be TBD. All other filing fees and related fees shall be paid by the Borrower in connection with the issuance (including applicable CDIAAC fees).

Periodic financial and collateral reporting by the Borrower, as well as representations and warranties of the Borrower regarding its status and ability to repay, taxability gross-up and covenants and conditions that are appropriate for a Credit Facility of the scope and nature proposed above will be determined as part of FFPF's underwriting and credit approval process.

PDF's of all executed and other documents listed on the Closing Index shall be provided to FFPF no later than 24 hours before the time of the requested wire; provided, that if any documents can only be signed after receipt of the wire, those documents shall be provided immediately after receipt of the wire.

In an event of default, a default rate equal to the Interest Rate + 3.00% will be required.

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Deposit Insurance Corporation, Consumer Response Center, 1100 Walnut Street, Box #11, Kansas





CSDA Finance Corporation



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PREPARED BY CSDA FINANCE CORPORATION

DATE: January 28, 2022

PROPOSED INSTALLMENT PURCHASE FOR: Burney Water District

RE: Water Collection and Wastewater Treatment

NOTE: TERMS ARE BASED UPON LEASE BEING BANK QUALIFIED

Prepayment Option amount is exclusive of the installment payment due on same date.

Interest rate quote is valid for an acceptance within 20 days and lease funding within 60 days.

Documentation Fee: \$10,000 (payable at closing)

	Financing Amount	Interest Rate	Term
Payments: Semi-annually in arrears	\$1,500,000	2.35%	3 Years

PMT #	Due Date	Installment Payment	To Principal	To Interest	Prepayment Option
1		\$260,381.33	\$242,756.33	17,625.00	
2		260,381.33	245,608.72	14,772.61	
3		260,381.33	248,494.62	11,886.71	
4		260,381.33	251,414.43	8,966.90	
5		260,381.33	254,368.55	6,012.78	
6		260,381.33	257,357.35	3,023.98	

TOTALS:	<u>\$1,562,287.98</u>	<u>\$1,500,000.00</u>	<u>\$62,287.98</u>
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Approved and agreed to: Burney Water District

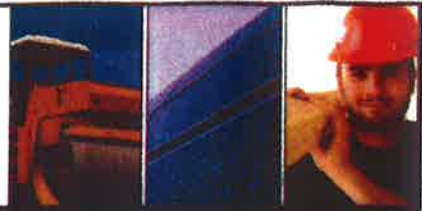
By: _____

Date: _____

Title: _____



CSDA Finance Corporation



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PREPARED BY CSDA FINANCE CORPORATION

DATE: January 25, 2022

PROPOSED INSTALLMENT PURCHASE FOR: Burney Water District

RE: Water Collection/Wastewater Treatment

NOTE: TERMS ARE BASED UPON LEASE BEING BANK QUALIFIED

Prepayment Option amount is exclusive of the installment payment due on same date.

Interest rate quote is valid for an acceptance within 30 days and lease funding within 60 days.

Documentation Fee: \$10,000 (payable at closing)

	Financing Amount	Interest Rate	Term
Payments: Semi-annually in arrears	\$1,500,000	2.50%	5 Years

PMT #	Due Date	Installment Payment	To Principal	To Interest	Prepayment Option
1		\$160,504.61	\$141,754.61	18,750.00	
2		160,504.61	143,526.54	16,978.07	
3		160,504.61	145,320.62	15,183.99	
4		160,504.61	147,137.13	13,367.48	
5		160,504.61	148,976.35	11,528.26	773,284.75
6		160,504.61	150,838.55	9,666.06	622,446.20
7		160,504.61	152,724.03	7,780.58	469,722.17
8		160,504.61	154,633.08	5,871.53	315,089.09
9		160,504.61	156,566.00	3,938.61	158,523.09
10		160,504.61	158,523.09	1,981.52	0.00

TOTALS:	<u>\$1,605,046.10</u>	<u>\$1,500,000.00</u>	<u>\$105,046.10</u>
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Approved and agreed to: Burney Water District

By: _____

Date: _____

Title: _____