

RESOLUTION NO. 2020-43

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CRESCENT CITY APPROVING WATER ENTERPRISE INTERFUND LOAN AND TERMS FOR THE PEBBLE BEACH BANK STABILIZATION PROJECT

WHEREAS, the bank supporting Pebble Beach Drive was severely undermined during a December 2016 storm for which the City was awarded \$458,000 for repairs through the Federal Highways Administration, California Office of Emergency Services and the Del Norte Local Transportation Commission; and

WHEREAS, the Pebble Beach Bank Stabilization Project is divided into two phases: (1) preliminary engineering (PE), which includes environmental review, project design, permitting and plans, specifications and construction estimate, and (2) construction (CON); and

WHEREAS, the City received a proposal from COWI for the PE phase in the amount of \$1,109,738.00, leaving a shortfall of \$651,738.00; and

WHEREAS, Caltrans Local Assistance division advised that the City may proceed with the project using City funds and request additional funding from the federal government, a process called Advanced Construction; and

WHEREAS, reimbursement through the Advanced Construction method could take up to 24 months and is not guaranteed to be awarded; and

WHEREAS, the general fund does not have adequate cash flow to cover the \$651,738.00;

WHEREAS, the opportunity to obtain a shovel-ready Pebble Beach Bank Stabilization Project paid for with 97% non-local funds is highly unlikely to present itself again within the next 10-20 years, yet the integrity of the road will continue to erode; and

WHEREAS, Pebble Beach Drive is an iconic part of Crescent City and Del Norte County, showcasing the area's natural beauty along the northern California coastline for both residents and tourists alike, and once the road fails it may very well not be able to be reconstructed; and

WHEREAS, the Water Enterprise Fund has sufficient cash reserves to loan money to the General Fund to support this project; and

WHEREAS, the City's Debt Policy was recently amended to provide specific rules regarding the use of interfund loans from the Water and Sewer Enterprise Funds to the General Fund; and

WHEREAS, the City's current Investment Policy specifically authorizes this type of investment pursuant to Government Code Section 53601(e) for a term of up to 5 years, although the Council can specifically authorize a longer term.

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

- 1. FINDINGS.** The City Council makes the following findings:

- a. **Water Fund Liquidity.** The Water Enterprise Fund has sufficient fund balance to make this loan while not impairing the purposes of the fund.
 - b. **Risk.** The risk of nonpayment is low. The City is hopeful that federal funds will be awarded to repay the loan within 2 to 3 years. If federal funds are not awarded, the 20-year repayment plan allows for affordable annual payments from the general fund to repay the loan.
 - c. **Return.** The interest rate set for the loan is equal to the most recent quarterly rate earned for funds invested with the Local Agency Investment Fund (LAIF) where the Water Enterprise Fund's cash reserves are invested. During these uncertain economic times, 2.03% is a decent rate of return when considering that between January, 2009 and June, 2018, following the housing and economic collapse, interest earned while invested with LAIF never reached 2.0%.
2. **TERMS.** The City Council approves an interfund loan from the Water Enterprise Fund to the General Fund on the following terms:
- a. **Principal amount:** \$651,738.00
 - b. **Interest rate:** 2.03%
 - c. **Term:** 20 years
 - d. **Payment schedule:**
 - i. Due date: June 30, 2021 and each June 30th of each year thereafter
 - ii. Interest-only for first 3 years
 - iii. Interest and principal for remaining 17 years
 - iv. Amortization and payment schedule attached as Attachment A
 - e. **Prepayment penalty:** none
 - f. **Repayment source:** (1) federal disaster funds; (2) general fund tax revenues

PASSED AND ADOPTED and made effective the same day by the City Council of the City of Crescent City, California on this 15th day of June, 2020, by the following polled vote:

AYES: Council Members Fallman, Greenough, Kime, Wright, and Mayor Inscore
NOES: None
ABSTAIN: None
ABSENT: None



Blake Inscore, Mayor

ATTEST:



Robin Patch, City Clerk

Loan Payment Schedule

Principle	651,738.00
Interest Rate	2.03%
Total Years	20
Years of Principle Payments	17
Payments per Year	1

Payment #	Payment Date	Principle	Interest	Total Payment	Balance
					651,738.00
1	6/30/2021	-	13,230.28	13,230.28	651,738.00
2	6/30/2022	-	13,230.28	13,230.28	651,738.00
3	6/30/2023	-	13,230.28	13,230.28	651,738.00
4	6/30/2024	32,486.15	13,230.28	45,716.43	619,251.85
5	6/30/2025	33,145.62	12,570.81	45,716.43	586,106.23
6	6/30/2026	33,818.48	11,897.96	45,716.43	552,287.75
7	6/30/2027	34,504.99	11,211.44	45,716.43	517,782.76
8	6/30/2028	35,205.44	10,510.99	45,716.43	482,577.32
9	6/30/2029	35,920.11	9,796.32	45,716.43	446,657.21
10	6/30/2030	36,649.29	9,067.14	45,716.43	410,007.92
11	6/30/2031	37,393.27	8,323.16	45,716.43	372,614.64
12	6/30/2032	38,152.36	7,564.08	45,716.43	334,462.29
13	6/30/2033	38,926.85	6,789.58	45,716.43	295,535.44
14	6/30/2034	39,717.06	5,999.37	45,716.43	255,818.38
15	6/30/2035	40,523.32	5,193.11	45,716.43	215,295.06
16	6/30/2036	41,345.94	4,370.49	45,716.43	173,949.12
17	6/30/2037	42,185.27	3,531.17	45,716.43	131,763.85
18	6/30/2038	43,041.63	2,674.81	45,716.43	88,722.22
19	6/30/2039	43,915.37	1,801.06	45,716.43	44,806.85
20	6/30/2040	44,806.85	909.58	45,716.43	-
Total		651,738.00	165,132.20	816,870.20	

