

M E M O

To: Board of Directors

From: District Manager

Subject: Loan Agreement for Property Purchase; APN 081-241-08 and APN 081-361-01, -03, -04, -05, -06, -07, and -08 generally know as Malosky Creek.

Date: June 9, 2006

RECOMMENDATION:

It is recommended that the Board of Directors review this memo and approve the attached resolution.

BACKGROUND:

At the May 18, 2006 Board of Directors meeting, your Board approved Resolution No. 35 (05-06) which authorized the District Manager to execute a property purchase agreement in the sum of \$1,750,000.00 for subject property. At the May 18, 2006 Board of Directors meeting, your Board also directed staff to investigate the availability of a loan for the proposed purchase.

District staff contacted the California Special District Association (CSDA) Municipal Finance Corporation regarding the availability of a loan for the proposed property purchase. In its fifteen years of existence, the CSDA Municipal Finance Corporation has assisted and provided California Special District's with more than \$500 million through a variety of tax-exempt financing programs. The Municipal Finance Corporation has agreed to loan the District the principal amount of \$1,750,000.00 at an interest rate of 4.75%, for a term of fifteen (15) years. See Attachment 1. The loan would be backed by a pledge of the District's "Net Water Revenues". "Net Water Revenues" means all water revenues received by the District from water service charges, including but not limited to connection charges and earnings on investments of funds held by the District. There is no option for prepayment of the loan during the first five (5) years. The loan may be prepaid, in whole, after the first five (5) years with a two percent (2%) prepayment penalty.

It is recommended that the Board of Directors approve the attached resolution which authorizes the District Manager to enter into a Loan Agreement with Municipal Finance Corporation.

James Mueller
District Manager

JAM/bsb

SAN LORENZO VALLEY WATER DISTRICT

RESOLUTION NO. XX (05-06)

SUBJECT: AUTHORIZING THE EXECUTION AND DELIVERY OF AN LOAN AGREEMENT,
AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS IN CONNECTION
WITH THE FINANCING OF THE ACQUISITION OF REAL PROPERTY

WHEREAS, the San Lorenzo Valley Water District (the "District") is a county water district duly organized and existing under and pursuant to the laws of the State of California; and

WHEREAS, the District desires to provide for financing in the approximate amount of \$1,750,000.00 to finance the acquisition of certain real property (the "Project"); and

WHEREAS, Municipal Finance Corporation (the "Corporation") has proposed a cost-effective Loan financing arrangement at a 4.75% interest rate;

NOW, THEREFORE, it is resolved by the Board of Directors of the San Lorenzo Valley Water District as follows:

SECTION 1. Loan Agreement. The District Manager is hereby authorized to enter into a Loan Agreement (the "Loan") with the Corporation to finance the Project, subject to approval as to form by the District's legal counsel.

SECTION 2. Attestations. The Secretary of the Board is hereby authorized and directed to attest the signature of the District Manager and to affix and attest the seal of the District, as may be required or appropriate in connection with the execution and delivery of the Loan Agreement.

SECTION 3. Other Actions. The District Manager and other officers of the District are each hereby authorized and directed, jointly and severally, to take any and all actions and to execute and deliver any and all documents, agreements and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution and the Loan. Such actions are hereby ratified, confirmed and approved.

SECTION 4. Qualified Tax-Exempt Obligations. The Loan is hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The District, together with all subordinate entities of the District, do not reasonably expect to issue during the calendar year in which the Loan is issued more than \$10,000,000 of obligations which it could designate as "qualified tax-exempt obligations" under Section 265(b) of the Code.

SECTION 5. Reimbursement of Prior Expenditures. The District declares its official intent to be reimbursed from the proceeds of the Loan approved hereby for a maximum principal amount of \$1,750,000.00 of Project expenditures occurring no earlier than sixty days prior to the adoption of this Resolution. All reimbursed expenditures will be capital expenditures as defined in Section 1.150-1(b) of the Federal Income Tax Regulations.

SECTION 6. Effect. This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED AND ADOPTED this 15th day of June 2006, by the following vote:

AYES:

NOES:


ABSENT:

Approved: _____

President





Attest: _____

Secretary of the Board



CSDA Finance Corporation

1112 I Street, Suite 200
Sacramento, CA 95814
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PREPARED BY CSDA FINANCE CORPORATION

DATE: May 24, 2006

PROPOSED LEASE PURCHASE FOR: San Lorenzo Valley Water District**RE: Land purchase**

NOTE: TERMS ARE BASED UPON LEASE BEING BANK QUALIFIED

Purchase Option amount is exclusive of the rental payment due on same date.

Interest rate quote is valid for an acceptance within 15 days and lease funding within 60 days.

Payments: Semi-annually in ARREARS	Term 15 years	Amount Financed \$1,750,000	Interest Rate 4.75%
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PMT #	Due Date	Rent Payment	Purchase Option	To Principal	To Interest
1		\$82,223.59		\$40,661.09	41,562.50
2		82,223.59		41,626.79	40,596.80
3		82,223.59		42,615.43	39,608.16
4		82,223.59		43,627.54	38,596.05
5		82,223.59		44,663.70	37,559.89
6		82,223.59		45,724.46	36,499.13
7		82,223.59		46,810.42	35,413.17
8		82,223.59		47,922.16	34,301.43
9		82,223.59		49,060.32	33,163.27
10		82,223.59	1,329,489.15	50,225.50	31,998.09
11		82,223.59	1,276,785.35	51,418.35	30,805.24
12		82,223.59	1,222,829.82	52,639.54	29,584.05
13		82,223.59	1,167,592.84	53,889.73	28,333.86
14		82,223.59	1,111,043.99	55,169.61	27,053.98
15		82,223.59	1,053,152.11	56,479.89	25,743.70
16		82,223.59	993,885.28	57,821.29	24,402.30
17		82,223.59	933,210.88	59,194.54	23,029.05
18		82,223.59	871,095.46	60,600.41	21,623.18
19		82,223.59	807,504.80	62,039.67	20,183.92
20		82,223.59	742,403.86	63,513.11	18,710.48
21		82,223.59	675,756.77	65,021.55	17,202.04
22		82,223.59	607,526.82	66,565.81	15,657.78
23		82,223.59	537,676.40	68,146.75	14,076.84
24		82,223.59	466,167.04	69,765.23	12,458.36
25		82,223.59	392,959.32	71,422.16	10,801.43
26		82,223.59	318,012.93	73,118.43	9,105.16
27		82,223.59	241,286.56	74,855.00	7,368.59
28		82,223.59	162,737.94	76,632.80	5,590.79
29		82,223.59	82,323.79	78,452.83	3,770.76
30		82,223.59	0.00	80,315.89	1,907.70
TOTALS:		<u>\$2,466,707.70</u>		<u>\$1,750,000.00</u>	<u>\$716,707.70</u>

Approved and agreed to:
San Lorenzo Valley Water District

By: James A. MuroDate: MAY 25, 2006

Title: DISTRICT MANAGER
SAN LORENZO VALLEY WATER DISTRICT