

Ponderosa Community Services District

Minutes of Special meeting

March 14, 2013

Present:

Directors: D. Doty, C. Marchaunt

Staff: J. Robertson, M. Towfiq

USDA Representative: Lisa Butler

Guest: R. Smith

The purpose of this meeting was for the two board members designated as signatories for USDA documents and select staff to meet with USDA personnel and discuss the financial obligations and accounting requirements of a USDA grant/ loan package for the water system improvement project

The meeting was called to order at 9:08 am, followed by the flag salute.

Business:

Ms. Butler will go over the letter of conditions and the requirements of the loan security agreement (Resolution 2012-65-A).

The USDA engineer is in communication with 4 Creeks regarding new bid specifications.

If bids received are over budget, portions of the original PER may be reduced or removed, in consultation with the USDA engineer. The USDA's priority is replacing the main water lines designated in the project. This is the portion of the water system that concerned Tulare County Environmental Health.

There will be a preconstruction meeting prior to awarding a contract.

Conditions during construction:

There will be a resident inspector (4 Creeks)

The USDA will do monthly inspections

The USDA has to approve all change orders

USDA will do final inspection

If there are any excess funds, they must be used within 60 days of project completion

Conditions after completion of project:

Audit – a specific form completed by our CPA for 2013-2014

Compliance reviews every 3 years

Stats on water users

Once USDA loan closes – it will pay off the current RCAC loan

USDA loan funds will be dispersed as bills come in

Before USDA pays soft costs, need to insure there are sufficient funds to complete construction

The district will never have immediate access to or control of loan funds

All dispersal requests will be reviewed and authorized by the USDA

The procedure for payment of construction related bills will be to have the contractor sign, a board member sign, the engineer sign and final approval by USDA before payment is made

Ms. Butler was asked to explain the reserve requirements.

There are 2 types of reserve accounts required by the USDA.

1. The debt service reserve is outlined in the loan security agreement (Res 2012-65-A), and does not go into effect until the USDA loan closes. The loan is considered closed once loan documents are signed. It could be within 30 days of construction bid acceptance. This loan security reserve is allowed to accrue over 10 years until it reaches an amount currently estimated at \$212,040. This loan security reserve account will be maintained for the "life of the loan". This time period is not written into the security agreement, it is considered an unwritten regulation. According to Ms. Butler, this account can be used (with permission from the USDA) for emergency repairs (if another source of funds is not available), loan pay down, loan payoff and loan payments if necessary due to lack of funds in the general account.

The current estimates are for a 2.125% interest rate. When the district receives a revenue deposit from the county into 740 general fund, a transfer of approx \$9300+ to the loan security reserve is required. Anticipated to be twice per year Jan/July of approx \$18,600 annually for 10 years or until \$212,040 is reached.

If a situation arises where there is an immediate need for a capital improvement repair/replacement and there are funds available in the 735 capital improvement fund, those funds must be exhausted before the USDA will allow use of this loan security fund.

Account tracking can be designated as a line item under the Reserve portion of the current budget. The USDA does not require a separate designated fund similar to the current 735 fund.

2. The second reserve account is required in the letter of conditions and is to be a replacement reserve account. The current amount designated by the USDA to be deposited annually is \$8,033. The USDA determined this amount based on advice from an independent engineer, not the one that put together the PER or the one currently overseeing the project and is based solely on the amount of the water system improvement project.

These replacement reserve funds may be used by the district for water line replacement, repairs to SCADA, any other item from the PER or any line item in the 735 budget.

This reserve is required until the USDA loan is paid off, but recommended into perpetuity.

A depreciation schedule is suggested but not required by the USDA.

Meeting adjourned at 10:40 a.m.

The next regular Board meeting took place at the regularly scheduled time of 12:30 on **March 14, 2013** in the District Building.

Minutes prepared by Jennifer Robertson, PCSD Board Secretary

Special Meeting March 14, 2013

3

Note: The deadline for items to be added to the agenda for Board meetings is 10 (ten) days prior to the scheduled meeting date. **Requests from the public must be received in writing before they will be considered for addition to the agenda.**

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