



SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

**FROM: Michael Glaze, General Manager
Steven Wong, Finance Division Manager**

DATE: February 20, 2008

**RE: Line of Credit
Agenda Item for 2/26/08 Board of Directors Meeting**

As promised at your last meeting, we have been monitoring cash flow, reserves, and anticipated expenses closely to determine if a line of credit will be necessary to bridge a temporary revenue shortfall at the end of March when the bulk of Water Division debt service is due.

At present Water Division cash available, including System Capacity Charge reserves (\$1,028,758 as of 12/31/07), is approximately \$1.8 million. Receipt of \$250,000 in cash receipts is anticipated prior to the end of March and just before the April 1 debt service (\$800,000) is due. During that same period there will be approximately \$500,000 in cash disbursements for payroll and regular accounts payable. Therefore, if the Board directed that System Capacity Charge reserves be used (borrowed) to cover expenses, we estimate that there would still be \$750,000 in reserves after the April 1 debt service payments, and the Agency would be solvent without having to utilize funds from a line of credit.

However, the potential exists that the Agency may have to appeal conditions imposed by resource agencies in the FERC relicensing process and, as has been previously estimated and reported, the cost of preparation for and representation by special counsel in an evidentiary hearing could easily exceed \$350,000. At this writing I believe there is at least an even chance that we will need to challenge the resource agencies' proposed conditions (but we won't know for sure until after April 14).

Given this uncertainty, I am recommending that you follow a cautionary path and authorize the creation of a \$1 million line of credit with Tri Counties Bank. Tri Counties Bank handles Water Division activity and has offered to establish the line of credit at prime (currently 6.0%) plus 0.75%. The interest would be applied monthly only on the outstanding principal balance, and there would be no prepayment penalties. An annual fee of \$1,875 would be applied regardless of whether any amount was borrowed, and the entire principal balance would be due on or before December 31, 2008.

If you agree, the following action would be necessary:

"I move adoption of Resolution 08-2-1, authorizing the establishment of a \$1 million line of credit with Tri Counties Bank."



Resolution 08-2-1
South Feather Water and Power Agency

Line of Credit – Tri Counties Bank

WHEREAS, it is the desire of the Board of Directors of the South Feather Water and Power Agency, a public corporation, establish a line of credit with Tri Counties Bank.

WHEREAS, Title 5, Division 2, Part 1, Chapter 4, Article 7.6 of the Government Code (Government Code § 53850 *et seq.*) specifies the terms and conditions for short-term borrowing, which terms and conditions shall be applicable to the establishment of a line of credit with Tri Counties Bank

NOW, THEREFORE, BE IT RESOLVED that South Feather Water and Power Agency is authorized to borrow from (guarantee or grant collateral to) Tri Counties Bank; and,

BE IT FURTHER RESOLVED that James Edwards, President, and Michael C. Glaze, General Manager/Secretary, and W. Steven Wong, Treasurer/Finance Division Manager are directed to execute all documents necessary to establish a \$1,000,000 line of credit with Tri Counties Bank; and,

BE IT FURTHER RESOLVED that, before funds are borrowed from Tri Counties Bank via the line of credit, the Board of Directors of South Feather Water and Power Agency will approve and authorize the amount to be borrowed.

PASSED AND ADOPTED by the Board of Directors of the South Feather Water and Power Agency at the regular meeting of said Board on the 26th day of February 2008 by the following vote:

AYES:

NOES:

ABSTAINED:

ABSENT:

James Edwards, President

(seal)

Michael C. Glaze, Secretary

SECRETARY'S CERTIFICATE

MICHAEL C. GLAZE, certifies that: he is the Secretary of the Board of Directors of the South Feather Water and Power Agency; the foregoing is a true and correct copy of a resolution duly and regularly adopted by the Board of Directors of the South Feather Water and Power Agency at a meeting of said Board duly and regularly held on the 27th day of November 2007 at which meeting a quorum was present and voted; and, said resolution has not been rescinded and is in full force and effect.

February 26, 2008

Date

Michael C. Glaze, Secretary of the Board of Directors
South Feather Water and Power Agency

(seal)