

## **INTERFUND LOAN AGREEMENT BETWEEN THE COUNTY OF MONTEREY AND THE PAJARO COUNTY SANITATION DISTRICT**

This Loan Agreement (“**Agreement**”) is executed as of \_\_\_\_\_, 2018, between the Pajaro County Sanitation District (PCSD) (“**Borrower**”) and the County of Monterey (“**Lender**”). Lender agrees to lend to Borrower, and Borrower agrees to repay to Lender an amount not to exceed the Principal Amount and interest accrued on the unpaid loan balance, in accordance with the following:

**1. Purpose of the Loan:** To provide funds for use by Borrower, to fund Borrower’s costs of response to wastewater release, repairs, generator replacement, mitigation, remediation, and associated expenses. The loan shall account for borrowing between the Pajaro County Sanitation District Fund, Fund No. 151 and the General Fund, Fund No. 001.

**2. Principal Loan Amount:** Not to exceed One million eight hundred seventy-four thousand two hundred sixty-four and no/100 Dollars (\$1,874,264). The loan will be recorded as receivable to the Lender and payable to the Borrower.

**3. Term of the Loan:** The term of this loan shall begin one year after a sewer rate increase has been established that includes provisions for loan payback into the rates and the outstanding loan balance is to be repaid by the payoff date established in the rate study.

**4. Scheduled Payments:** Borrower shall make payments each fiscal year beginning one year after a sewer rate increase has been established and the District’s cash balance is at least 10% of its operating expenditure budget. Such payments are due within thirty (30) days following the final closing of the Borrower’s Financial Books for each fiscal year. At a minimum, annual Scheduled Payments shall equal the amount of any accrued interest through June 30 of that fiscal year plus a principal payment equal one-twentieth (1/20) of the original principal amount.

**5. Repayment Source:** Borrower must maintain positive cash balance of at least 10% of its operating expenditure budget to be able to repay the loan; excess cash balance (over the 10%) should be used to make scheduled payments and catch-up payments. Missed scheduled payments shall be reported by the Pajaro County Sanitation District to the Monterey County Board of Supervisors and the District Board annually, no later than 90 days past June 30.

**6. Rate of Interest:** Simple interest shall accrue annually on June 30 on the outstanding principal loan balance at the variable rates based on the County Treasury Pooled Interest Rate. Loan interest will be recorded as revenue to the Lender and expenditure to the Borrower.

**7. General Provisions:** This Agreement constitutes the full Agreement by and between the parties and no other representations have been made regarding the contents of this

Agreement. This Agreement shall not be amended, modified, or altered in any respect unless such amendment, modification or alteration has been reduced to writing and executed by both parties.

**LENDER: County of Monterey**

Fund Name: General Fund 001

By: \_\_\_\_\_

NAME, POSITION

**BORROWER: Pajaro County Sanitation District**

Fund Name: Fund No. 151

By: \_\_\_\_\_

NAME, POSITION