

# Olivehurst Public Utility District



## Agenda Item Staff Report

Meeting Date: October 15, 2020

### Item description/summary:

**Industrial, sports and entertainment zones infrastructure project for South Yuba County.** This item has been discussed in numerous committee and Board meetings. We are currently working with the landowner for the well site on an agreement to own the land. Right now the design completion date is still at June 2021 but this date could be extended due to the type of CEQA process we go through. We are also working with Brynda Stranix on applying for an EDA grant for construction of the infrastructure. We have resumed negotiations with the City of Wheatland for accepting their wastewater. YWA is aware of the required match for the EDA grant after a meeting With Brynda and I.

### Fiscal Analysis:

Yuba Water Agency approved the addition of \$500K (half grant and half loan) in addition to the \$3.5M they already approved. The additional \$500K is for CEQA, Land Acquisition and design contingency.

### Employee Feedback

None

### Sample Motion:

Move to approve the amendment of the agreement with Yuba Water Agency for the additional \$250,000 grant and \$250,000 loan per the attached amendment and original agreement.

Prepared by:

John Tillotson, P.E., General Manager

## YUBA COUNTY WATER AGENCY – OLIVEHURST PUBLIC UTILITY DISTRICT GRANT & LOAN AGREEMENT

THIS AGREEMENT is entered into this July 22, 2020, by and between Yuba County Water Agency, a public agency ("Lender"), and Olivehurst Public Utility District, a public agency ("Borrower"), (collectively the "Parties"), who agree as follows:

**1. RECITALS.** This Agreement is made with reference to the following background recitals:

1.1 Borrower intends to design infrastructure systems to collect wastewater from and deliver potable water to property in and around the Highway 65 corridor. This corridor includes the Yuba County "sports and entertainment zone" and "industrial zone", both of which are within Borrower's geographic boundaries or sphere of influence. Borrower intends to expedite the design process in an effort to capture potential State and/or Federal stimulus funds for "shovel-ready" projects. A funding request letter from Borrower and staff report prepared for the Yuba County Water Agency's Board of Directors detail this effort (see Exhibit A, attached).

1.2 Borrower seeks financing assistance from Lender so that Borrower may proceed with the infrastructure design work. Borrower requests that Lender provide (a) a grant in the sum of \$1,750,000.00 (the "Grant"), and (b) a loan in the amount of \$1,750,000.00 (the "Loan") to be repaid in Borrower installments.

1.3 The Parties agree that Borrower will not be required to make payments on the Loan for a period of five years after the execution of this agreement.

1.4 The Parties further agree that the Loan will not accrue interest during the five-year period after the date of this Agreement when no payments are required.

1.5 Lender has determined that Borrower's proposed design work has merit and the planned improvements would further Lender's water quality and water supply objectives. Lender therefore agrees to provide the Grant and Loan on and subject to the terms of this Agreement. Lender determines that the Grant and Loan will directly further and support Lender purposes and objectives consistent with the Yuba County Water Agency Act and that the Grant and Loan are authorized and appropriate expenditures of Lender funds.

**2. GRANT.** Lender agrees to grant to Borrower the sum of \$1,750,000.00, subject to the terms of this Agreement. The Grant shall be used by Borrower to pay costs directly related to the design of the backbone infrastructure system to provide wastewater and potable water system improvements to the Highway 65 corridor. Borrower acknowledges that the Grant proceeds are restricted funds and pledges that the Grant proceeds will be used solely for these purposes and for no other purpose.

### **3. LOAN.**

3.1 Lender agrees to loan to Borrower, and Borrower agree to borrow from Lender, a sum not-to-exceed \$1,750,000.00, subject to the terms and conditions of this Agreement. Borrower shall use the funds provided by the Lender for the purposes described in the recitals and for no other purpose. The final Loan amount shall be the final sum total of the Loan funds disbursed by Agency pursuant to section 5 below.

3.2 Borrower accepts the Loan and approves this Agreement with Lender evidencing this indebtedness in the original principal amount of \$1,750,000.00. Borrower promises to pay to Lender, or order, the Loan with interest accruing commencing five years after the date of this Agreement at a rate equal to the average rate of interest earned by funds deposited with the Treasurer of Yuba County during the preceding twelve (12) months of each year. The interest rate will be adjusted annually on June 30th. Borrower will repay the Loan principal and interest balance in full by June 30, 2030. Borrower may fully repay the principal balance and any accrued interest at any time, without prepayment penalty.

3.3 Loan debt service payments will not be required for five years after the execution of this agreement, and the Loan balance will not accrue interest for the same initial five-year period.

3.4 Borrower's payment(s) will be sufficient to fully repay the original principal amount of the loan plus accrued interest (at the rate provided in section 3.2) If the interest rate in section 3.2 changes, Lender will notify Borrower of the new payment amount.

3.5 Borrower will pay the Loan principal and interest in annual installments, a lump sum payment prior to June 30, 2030, or some combination of both. Loan payments shall be credited first to accrued interest and then to principal.

3.6 The Parties understand that funds collected by Borrower through capacity fees for the entertainment, employment and industrial zones, minus a small administration portion of such fees, which the Borrower would retain, serve as the basis for repayment of the loan. The ability of Borrower to repay the loan to the Lender is based on the collection of sufficient capacity fees and Lender agrees that Borrower shall only be required to repay the loan as such fees are collected. The Parties retain the ability to renegotiate and change the Agreement to include the possibility of loan forgiveness should lack of development in the area occur.

3.7 In the event of extenuating or unforeseen circumstances adversely affecting Borrower, then, upon request by Borrower, Borrower and Lender agree to engage in additional negotiations to alter the terms of this Agreement, including loan forgiveness in the event that significant new development in the area resulting in capacity fee revenue to Borrower has not occurred.

4. **NO PRECEDENT.** By loaning these funds to Borrower, Lender expressly establishes no precedent for loans to other local government agencies or other projects.
5. **DISBURSEMENT OF FUNDS.** Grant and Loan funds will be disbursed on an as needed basis upon written request of the Borrower, allowing up to 30 days for the Lender to process the disbursement request. Agency first shall disburse Grant funds and, after exhausting the Grant amount, it will begin disbursing Loan funds. Interest will not accrue on the loaned funds until disbursement has been requested and the five-year term of no required payments has lapsed.
6. **PUBLIC WORKS REQUIREMENT.** If any portion of the Grant/Loan-funded work consists of public works, as defined in Labor Code sections 1720 to 1720.4, then Borrower and its contractors and subcontractors shall comply with California statues and regulations applicable to public works projects, including, but not limited to, the following requirements: payment of prevailing wage rates; employment of apprentices; hours of labor limitations and overtime; keeping of proper payroll records; maintaining required workers' compensation insurance; procurement of payment/labor and materials bonds; non-discrimination laws; contractors' state license requirements; contractor registration with the State Department of Industrial Relations; and California Environmental Quality Act environmental review.
7. **RECORD KEEPING.** Borrower shall maintain accurate bookkeeping records, accounts, and documentation pertaining to the receipt, disbursement, and use of the Grant and Loan proceeds to pay vendors, contractors, suppliers, and others who perform the infrastructure work, including all invoices, receipts, canceled checks, contracts, purchase orders, and other source documents. These records shall be retained for a period of not less than three years from the fund disbursement date. These records shall be accessible and available for inspection or audit by Lender, or by its employees, accountants, attorneys, or agents, at reasonable times and upon reasonable notice. This Agreement, and performance and payments under this Agreement, are subject to examination and audit by the State Auditor General for three years following final payment. (See Government Code section 8546.7.)
8. **INDEMNIFICATION.** Borrower shall indemnify, defend, protect, and hold harmless Lender, and its officers, employees, volunteers and agents from and against any and all liability, losses, claims, damages, expenses, demands, and costs (including but not limited to, attorney, expert witness and consultant fees and litigation costs) of every nature arising out of Borrower's performance of the Grant/Loan-funded work and caused by the negligent or willful act or omission of Borrower or its contractors or subcontractors or their employees, agents, and subcontractors, except where caused by the active negligence, sole negligence or willful misconduct of Lender or as otherwise provided or limited by law.

**9. REPRESENTATION AND WARRANTIES.** Borrower makes the following representations and warranties:

9.1 There are no legal actions, suits, or proceedings pending or, to the knowledge of Borrower, threatened against Borrower.

9.2 Borrower is not in default of any obligation, judgment, bond, debenture, note or other evidence of indebtedness.

9.3 No outstanding tax liability has been asserted against Lender by the IRS, California Franchise Tax Board or any other taxing authority.

**10. DEFAULT.** At the option of the Lender, the occurrence of any of the following events shall constitute a default:

10.1 Borrower fails to make any payment of principal or interest or any other amounts due Lender hereunder when due and not otherwise excused as set forth in this Agreement, and such failure shall continue for five days after notice thereof from Lender.

10.2 Any material representation or warranty made by Borrower is breached, false or misleading in any material respect, causing injury to Lender.

10.3 Any material provision of this Agreement ceases to be valid and binding for a reason other than a change in applicable law, or Borrower contests any such provision, or Borrower, or any agent or trustee on behalf of Borrower, deny that Borrower has any or further liability under this Agreement.

10.4 Borrower fails to perform any covenant, conditions, or agreement set forth herein, and such failure shall continue for a period of 30 days after notice thereof (which notice shall specify in reasonable detail the nature of such failure) from Lender, unless within that 30-day period Borrower submits to Lender a satisfactory plan to cure the failure.

10.5 Borrower becomes insolvent or unable to pay its debts as they mature or makes an assignment of its rights under this Agreement for the benefit of creditors, or there shall occur a material adverse change in the financial condition of Borrower.

10.6 Borrower files or there is filed against Borrower a petition to have Borrower adjudicated a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy unless, in the case of a petition filed against Borrower, the same is dismissed or stayed within 60 days.

10.7 Borrower applies for or consents to the appointment of a receiver, trustee or conservator for any portion of Borrower's property, or such appointment is made without Borrower's consent and is not vacated within 60 days.

In the event of default, Lender may immediately call the Loan due and payable and enforce its remedies as provided by law.

**11. LIMITATIONS.** Borrower shall not, without prior consent of Lender (a) pledge, mortgage or otherwise encumber in any manner whatsoever any of Borrower's present property or assets, (b) borrow money or obtain a loan from any person, corporation, or any other source, (c) make or guarantee any advances or loans made to others, or (d) sell or distribute a substantial part, or all, of its assets.

**12. GENERAL PROVISIONS.**

12.1 Integration. This Agreement constitutes the sole, final, complete, exclusive and integrated expression and statement of terms of this contract among the Parties concerning the subject matter addressed herein, and supersedes all prior negotiations, representations or agreements, either oral or written, that may be related to the subject matter of this Agreement, except those other documents that are expressly referenced in or attached to this Agreement.

12.2 Construction and Interpretation. The Parties agree and acknowledge that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party shall not apply in construing or interpreting this Agreement.

12.3 Waiver. The waiver at any time by any party of its rights with respect to a default or other matter arising in connection with this Agreement shall not be deemed a waiver with respect to any subsequent default or matter.

12.4 Successors and Assignment. This Agreement shall bind and inure to the benefit of the respective successors, assigns, heirs, devisees and personal representatives of the parties.

12.5 Amendment. This Agreement may be modified or amended only by a subsequent written agreement approved and executed by both parties.

12.6 Governing Law and Venue. Except as otherwise required by law, this Agreement shall be interpreted, governed by, and construed under the laws of the State of California.

12.7 Attorney's Fees. In the event any legal action is brought to enforce or construe this Agreement or the promissory note, the prevailing party shall be entitled to an award of reasonable attorney's fees, expert witness and consultant fees, litigation costs, and costs of suit.



12.8 Notices. Any notice, demand, invoice or other communication required or permitted to be given under this Agreement shall be in writing and either served personally or sent by prepaid, first class U.S. mail addressed as follows:

Lender:

General Manager  
Yuba County Water Agency  
1220 F Street  
Marysville, CA 95901

Borrower:

General Manager  
Olivehurst Public Utility District  
P.O. Box 670  
Olivehurst, CA 95961

Any party may change its address by notifying the other party of the change in the manner provided above.

YUBA COUNTY WATER AGENCY


OLIVEHURST PUBLIC UTILITY DISTRICT


By:  7/27/2020

By:  8-5-2020

Nicholas Whittlesey Jr.,  
General Manager Date

John Tillotson, General Manager Date

Attest:  
 7/27/2020  
Secretary

Attest:  
 8/5/2020  
Secretary

## **Exhibit A**

Funding Request letter dated February 10, 2020 from John Tillotson, General Manager, on behalf of Olivehurst Public Utility District, and staff report for Yuba County Water Agency's Board of Directors. (Attached below)





# **OLIVEHURST PUBLIC UTILITY DISTRICT**

*Our mission is to provide high quality services to enhance our community's quality of life.*



## **BOARD OF DIRECTORS**

Dennise Burbank James Carpenter John Floe Mary Jane Griego Christopher White

## **GENERAL MANAGER**

John Tillotson, P.E.

February 10, 2020

Board of Directors  
Yuba Water Agency  
1220 F Street  
Marysville, CA 95901

**RE: Request for Funding for Design of the Potable Water and Wastewater Infrastructure for the Sports, Entertainment and Industrial Zones in South Yuba County**

Honorable members of the Board,

A unique opportunity exists in Southeastern Yuba County. The opportunity is that of the development of the areas known as the "sports and entertainment zone" and the "Industrial zone" bringing the subsequent commercial and industrial growth, complete with associated jobs, to Yuba County. Already located in this area is the Hard Rock – Fire Mountain Casino Resort which essentially will deliver over 1,000 jobs and unprecedented economic growth to Yuba County. This is in addition to the Toyota Amphitheater.

This area is in Olivehurst Public Utility District's Sphere of Influence for water, wastewater and parks and LAFCO has recently approved annexation of the area by OPUD. The next phase of this key project is the design of the water and wastewater infrastructure. OPUD lacks the funding to complete the design so in the interest of moving this project forward is requesting funding in the amount of \$3.5M.

The \$3.5M for design is broken down as follows: \$1.5M for potable water and \$2M for wastewater. It is my understanding that it is within the Agency's purview to be able to fund projects relating to the provision of clean drinking water. With regards to the wastewater portion of this project I submit that it could be funded by the Agency as well as it relates to the protection of water quality.

The sports, entertainment and industrial zones are generally served by private septic systems currently with the exceptions of the Toyota Amphitheater and the Hard Rock Casino Resort. The amphitheater utilizes a settling pond system where wastewater flows out and dissipates in the pond over a period of time while the Hard Rock Resort has a small package treatment plant. While all of the private septic systems and settling ponds all work for their respective uses they are not ideal for the protection of water quality. Because of the high water table in this area the septic systems and settling ponds are prone to premature failure and the State Regional Quality Control Board highly encourages developments such as this to seek out regional solutions such as the Olivehurst wastewater treatment plant. As a regional facility, the OPUD wastewater treat plant could provide wastewater services for the

City of Wheatland, Beale Air force Base and all of the developed and undeveloped parcels in the area. This would provide for a cessation of land-based filtration type wastewater disposal in the area and move the disposal to a state-of-the-art tertiary plant that meets all California Title 22 requirements for recycled water.

Respectfully Submitted,



John C. Tillotson, P.E.

General Manager, Olivehurst Public Utility District

## Staff Report for the OPUD water and wastewater grant request

Consider recommending approval of the OPUD grant request for \$3.5 million in funding (\$3.0 million grant and a \$0.5 million loan) for the design of back bone systems for wastewater and potable water in the Highway 65 corridor.

### PROJECT OVERVIEW

Olivehurst Public Utility District (OPUD) has submitted a grant request to the Agency for \$3.5 million to design water and sewer system improvements to serve the Sports and Entertainment Zone and other areas in southeastern Yuba County. Upon receipt of the OPUD grant request, YWA staff started working with OPUD staff so the POD Committee would have the information needed to make an informed decision on the request. OPUD has put a significant amount of work into moving the project to the design phase. In January 2020, LAFCO approved annexation of the area into OPUD's service territory. OPUD commissioned Technical Reports for Sanitary Sewer and Potable Water and draft RFPs for the design of both systems and shared these documents. Overview sections of the Technical Reports are provided below.

OPUD needs financial support to move this project forward. Its overall goal is to expedite the design so that if there are State or Federal stimulus funding available for this project, it would be able to compete for those funds with a shovel-ready project. OPUD believes the design can be done within about 5 months, which would put the project in a good position for potential stimulus funds.

Both designs are expected to come within the \$3.5 million request. The preliminary total capital cost of both projects is expected to be \$55 million and the final design will provide a better cost estimate. To date OPUD has expended approximately \$150,000 on moving the project to today's status. Of the \$3.5 million grant request, OPUD is willing to accept a loan for \$500,000, as a loan that would be contingent upon converting to a grant if future funds are not able to pay for the loan amount.

Excerpts for OPUD Technical Reports:

#### Wastewater Study

The purpose of this sewer study is to identify the backbone sewer conveyance facilities for the South County Area namely the Sports and Entertainment Area along Forty Mile Road and the Rancho Road Industrial Area along Rancho Road. The system also accommodates approximately 2,250 equivalent dwelling units (EDU) from City of Wheatland. This report is part of an overall high-level infrastructure analysis for the plan area. This study will demonstrate it is possible to provide sewer service for the project and technical compliance with the sewer district's requirements for sewer conveyance. The project falls within the jurisdiction of the Olivehurst Public Utilities District (OPUD). All proposed facilities will be located within County or OPUD right-of-ways.

The study area for this master plan is the OPUD South County Area is the boundary of the annexation area completed during early 2020. The area within its boundary comprises about 3,022 acres (1.54 square miles). The potential development area within the boundary used for the Study was about 2,600 acres. Some of the lands within the boundary are located within the 100-year flood plain, wetlands, or have other physical limitations.

The focus of this study is on backbone or trunk infrastructure required to serve the area. The level of this study is not sufficient for design, and it is anticipated that more detailed studies will be required prior to improvement plans approval for backbone facilities.

Water Study Overview

With the recent construction of the new Hard Rock Casino, Yuba County (County) is anticipating new development around this area and has designated it as the South Yuba Planning Area (planning area). In support of this, the County has stated in their 2030 General Plan (General Plan), “The land use discussion in the General Plan update must also address the public facilities and infrastructure necessary to support not only the new residential growth proposed but the commercial, industrial and institutional land uses necessary over the long-term to balance the County’s economy and allow specific key areas (such as the Hwy. 65 corridor) to develop appropriately and in a timely fashion.” Figure 1-1 is an expanded portion of the County’s land use map taken from the General Plan that shows the planning area and its assigned land uses that the County is encouraging to be developed.

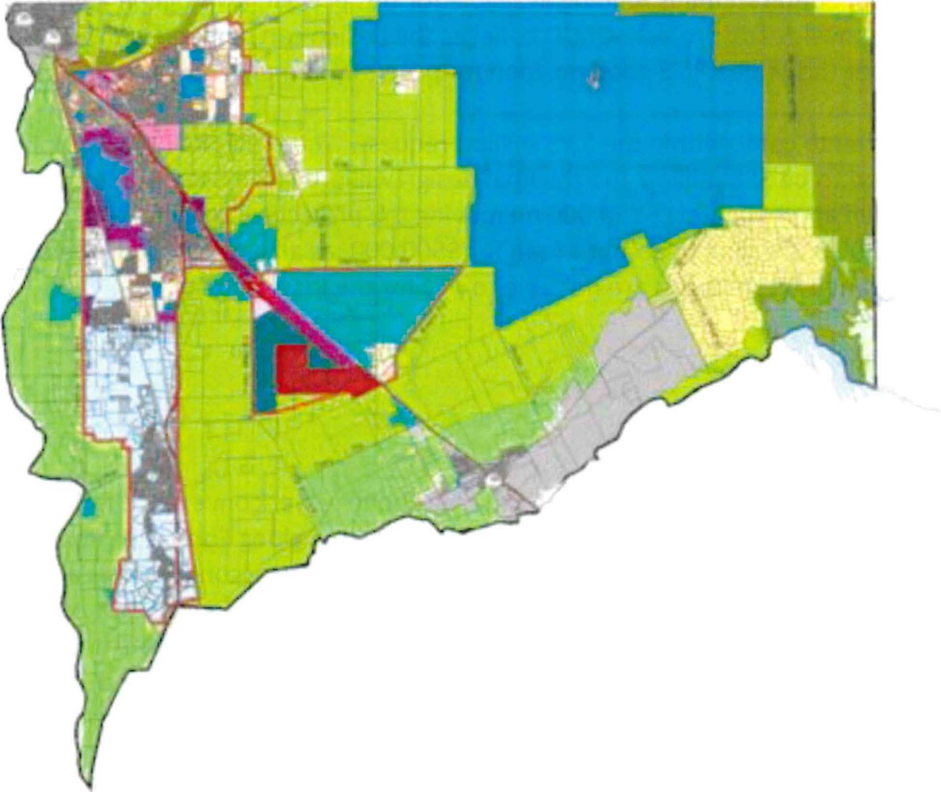


Figure 1.1 2030 General Plan’s Planning Area Land Use



## II. Water Demand

The annexed area is comprised of approximately 2,760 acres with the full buildout of the planning area at approximately 5,475 acres (ultimate). All the development will be either industrial or commercial land uses with no planned residential land uses at this time.

This report provides a water demand analysis and establishes land use water demand factors (UDF) based on UDFs that have been used by other regional water agencies. From these UDFs, annual water demands will be determined OPUD South Yuba County Planning Area Final Water Study January 30, 2020 for the annexed and the ultimate water service areas and will also be the basis to size the water supply and distribution system.

### CONSISTENCY WITH THE YUBA WATER AGENCY STRATEGIC PLAN AND AUTHORIZATIONS

The OPUD project is supported by the following sections of the YWA's Strategic Plan.

Strategic Priority #6: Proactively engage in developing a robust, diverse Yuba County economy and improve the overall well-being of Yuba County residents.

Objective 1: Assist in infrastructure projects, including flood management and water supply management, to ensure safety and security, and improve emergency response for the residents and businesses of Yuba County consistent with Yuba Water's mission.

Strategy 2: Pursue objectives and strategies outlined in Strategic Priority #2:

Strategic Priority #2: Maintain and enhance the delivery of a reliable water supply for the people of Yuba County.

Objective 2: Maintain and enhance a reliable groundwater supply for users in the North and South Yuba Sub basins.

Strategy 1. Proactively implement the Sustainable Groundwater Management Act (SGMA) to maximize benefit to North and South sub basin users, including agricultural and municipal water users.

The Agency Act clearly authorizes the Agency to aid OPUD in extending and developing a water system to serve the area.

With regard to the sewer design work, when YWA submitted its Groundwater Sustainability Plan (GSP) to DWR earlier this year, YWA gained the broad groundwater management authority under SGMA set forth at Water Code sections 10725 to 10726.9. A principal objective of SGMA is to avoid and protect against degraded water quality that could stem from a causal nexus between water recharge/infiltration and groundwater quality. This new SGMA authority provides YWA with the authorization to take action to protect the groundwater quality from existing and future sources of contamination. In particular, SGMA now authorizes the Agency to construct or aid in the construction of an improvement project to transport, reclaim, purify, treat, or control polluted water and wastewater for subsequent use in a manner that is necessary or proper to protect the groundwater supply and quality.

The vast majority of the OPUD study area does not have any wastewater treatment systems, with the only existing system at the Hard Rock Casino. Rather, the area is served by a variety of on-site septic, leach, and pond based systems.

Part of a reliable groundwater supply is good water quality. The Yuba GSP acknowledges potential risks to groundwater quality associated with on-site wastewater treatment systems (e.g., septic

systems), animal manure, and fertilizer applications are possible routes for nitrate to be introduced into the groundwater. Groundwater well water monitoring results show some areas in the south subbasin where nitrate levels have exceeded the primary drinking water maximum contaminate level. Furthermore, sodium is another groundwater contaminate with sources from wastewater systems and water supply water softener systems.

The World Health Organization provides additional support regarding the risk of onsite wastewater systems to contaminate the groundwater supply as thoroughly documented in the WHO paper titled *Protecting Groundwater for Health: Managing the Quality of Drinking-water Sources* (2006). The paper evaluates and details the several risks to groundwater quality posed by on-site septic systems, leach ponds, and unsewered areas. It recommends extending sewers into unsewered areas as a preferred solution to protect groundwater quality. Additionally, the paper is well supported by numerous cited references on the topic.

The 2008 Yuba County LAFCO Municipal Service Review: Background Report also confirms a groundwater risk from the unsewered area in the County: "Areas that do not lie within the service areas of these [sewer service] providers do not receive central wastewater treatment services, but rather rely on septic systems. Septic systems are located on individual properties, provide treatment of wastewater, collect sludge, and discharge effluent into a leach field. Property owners are responsible for septic system maintenance and sludge disposal. ... Septic systems do not remove pollutants to the extent wastewater treatment plants do. If septic systems are not properly designed, sewage may surface creating odors and health risks. Public health concerns include seepage into groundwater and surface water." (p.114.)

In light of these facts and the new legal authority under SGMA, the Board may provide grant or loan funding to a local government agency in order to support a sewer project that will protect groundwater quality from potential impacts posed by on-site septic, leach, and pond systems in the unsewered area.

Agency staff recommends that the Board approve a \$3.5 million grant and loan agreement with OPUD (\$3.0 million grant and \$0.5 million loan) for the design of back bone systems for wastewater and potable water to extend service to the southeast Yuba County area.



## AMENDMENT NO. 1

### To the YUBA COUNTY WATER AGENCY AND OLIVEHURST PUBLIC UTILITY DISTRICT GRANT & LOAN AGREEMENT

THIS AMENDMENT TO AGREEMENT is made this 15<sup>th</sup> day of September 2020, between Yuba County Water Agency, a local government agency (“Agency”), and Olivehurst Public Utilities District, a local government agency (“Borrower”), who agree as follows:

**1. Recitals.** This Amendment is made with reference to the following background recitals:

1.1. On July 22, 2020, the parties entered into a Grant and Loan Agreement to fund the design of infrastructure systems to collect wastewater from and deliver potable water to property in and around the Highway 65 corridor and related costs (the “Agreement”), which is on file in the Agency office.

1.2. The parties now desire to amend the Agreement in order to provide an additional \$250,000 loan and \$250,000 grant for costs relating to CEQA review, property appraisal/acquisition, and contingency for the potable water and wastewater infrastructure for the sports, entertainment and industrial zones in south Yuba County in and around the Highway 65 corridor.

**2. Amendments to Agreement.** The parties amend the Agreement as follows:

2.1. **Agreement section 1.2 is changed to read as follows:** “Borrower seeks financing assistance from Lender so that Borrower may proceed with the infrastructure design work, CEQA, property appraisal/acquisition and contingency for the potable water and wastewater infrastructure. Borrower requests that Lender provide (a) a grant in the sum of \$2,000,000.00 (the “Grant”), and (b) a loan in the amount of \$2,000,000.00 (the “Loan”) to be repaid in Borrower installments.”

2.2. **Agreement section 2 is changed to read as follows:** “Lender agrees to grant to Borrower the sum of \$2,000,000.00, subject to the terms of this Agreement. The Grant shall be used by Borrower to pay costs directly related to the design of the backbone infrastructure system to provide wastewater and potable water system improvements to the Highway 65 corridor, and related CEQA environmental review, property appraisal/acquisition, and contingency for the planning, design, and environmental review of the potable water and wastewater infrastructure. Borrower acknowledges that the Grant proceeds are restricted funds and pledges that the Grant proceeds will be used solely for these purposes and for no other purpose.”

2.3. **Agreement section 3.1 is changed to read as follows:** “Lender agrees to loan to Borrower, and Borrower agree to borrow from Lender, a sum not-to-exceed \$2,000,000.00, subject to the terms and conditions of this Agreement. Borrower shall use the funds provided by the Lender for the purposes described in the recitals and for no other purpose. The final Loan amount shall be the final sum total of the Loan funds disbursed by Agency pursuant to section 5 below.”

2.4. **Agreement section 3.2 is changed to read as follows:** “Borrower accepts the Loan and approves this Agreement with Lender evidencing this indebtedness in the original principal amount of \$2,000,000.00. Borrower promises to pay to Lender, or order, the Loan with interest accruing commencing five years after the date of this Agreement at a rate equal to the average rate of interest earned by funds deposited with the Treasurer of Yuba County during the preceding twelve (12) months of each year. The interest rate will be adjusted annually on June 30th. Borrower will repay the Loan principal and interest balance in full by June 30, 2030. Borrower may fully repay the principal balance and any accrued interest at any time, without prepayment penalty.”

**3. No Effect on Other Provisions.** Except for the amendments in section 2, the remaining provisions of the Agreement are unaffected and remain in full force and effect.

\_\_\_\_\_  
YUBA COUNTY WATER AGENCY

\_\_\_\_\_  
OLIVEHURST PUBLIC UTILITY DISTRICT

By: \_\_\_\_\_  
Nicholas Whittlesey, Jr.,  
General Manager

By: \_\_\_\_\_  
John Tillotson, General Manager

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Attest:

Attest:

\_\_\_\_\_  
James Mitrisin  
Clerk of the Board

\_\_\_\_\_  
Secretary