

**INFRASTRUCTURE STATE REVOLVING FUND PROGRAM (ISRF) DIRECT
FINANCING AMENDMENT EXECUTIVE SUMMARY**

The Paradise Irrigation District (District) requests that IBank amend Enterprise Fund Installment Sale Agreement No. CIEDB-BC08-077 (Loan) to suspend payments temporarily, lower the interest rate, and extend the maturity date. The District made this request since its revenue declined greatly as a result of the destruction caused by the 2018 Camp Fire. The Loan was originally approved by the IBank Board in 2007 for the Magalia Reservoir Bypass Project for \$2,000,000 at a twenty-year term. The current outstanding principal and interest balance of the Loan is \$1,053,095.22. IBank proposes to amend Loan documents to suspend all payments and interest accrual for five years, then resume payments for 10 years at 1% interest.

Catastrophic Event

In 2018, California suffered the most devastating wildfire season in California's history. According to Cal Fire, the Camp Fire of November 2018 destroyed approximately 18,804 structures in the Town of Paradise, CA. It was the number 1 deadliest fire in California history with 85 deaths. The District estimates there are approximately 1300 structures that remain standing, consisting of 1045 residential buildings and 267 businesses. The majority of the structures the Camp Fire destroyed were connected to the District's system and purchased its water. However, after these structures were destroyed in the fire, water purchases ceased and the District's revenues declined greatly. The District's loss of revenue has left it unable to meet its current debt obligations.

The District's lost revenue is estimated to be over \$6.7 million per year. Prior to the Camp Fire, the District was in good standing with IBank. During the last ten years, the District has paid its debt on time and produced required financial information that reflected good cash flow. Even after the fire, the District paid its scheduled payment in February 2019.

Recovery Plan

The local community encompassing the District's service area is working with The Federal Emergency Management Agency (FEMA) and The California Office of Emergency Services (CalOES) to obtain grant assistance for the rebuilding of its community. The District believes its revenues will rebound once the community begins to rebuild. Pacific Gas and Electric (PG&E) reached an agreement¹ to pay settlements to the Town of Paradise, Paradise Parks and Recreation, and Butte County totaling \$569.5 million in wildfire claims. The District believes these settlement payments will be used to re-develop Paradise, which will lead to an increase in demand for the District's water, generating revenue for the District. In addition, the District is considering creating a new business plan to be a wholesaler as a way to generate additional revenue.

Risk Factors

Presently the District is in a tenuous financial situation due to loss of revenue from the significant loss of service connections. The Town of Paradise and the District's water system require a great amount of rebuilding and repair. As a result, there is a risk the District may not realize expected revenues before its five-year grace period ends.

¹ The court overseeing PG&E's bankruptcy must approve the settlement before any money will be disbursed.

Mitigating Factors

The amendment of the IBank Loan will assist the District by deferring payments for the next five years, giving it time to implement the necessary repairs to the damaged water system and potentially get back to pre-fire revenues. IBank has the capacity to forgo payment and interest earnings temporarily, and agrees to do so, as it is “the right thing to do” given the circumstances.

The District is in the process of requesting grants from CalOES and FEMA, and payment from insurance claims.

As discussed above, PG&E’s tentative agreement to pay settlements to the Town of Paradise, Paradise Parks and Recreation, and Butte County totaling \$569.5 million in wildfire claims should also improve the District’s ability to increase its revenues.

Proposed Amendment

The proposed amendment would extend the final maturity date of the Loan by five years. The interest rate would reduce to 0% for the first five years, followed by a 10-year amortization of the balance at a reduced 1.00% interest rate, and an annual service fee of .30% of the outstanding balance. No amendment fee would be charged. During the first five years, no payments would be required, yet repayment or prepayment would be allowed without penalty during the entire term of the Loan. The Loan will also be de-pledged from the ISRF Bond. This amendment requires IBank Board approval, as the Executive Director’s delegated authority does not include the extension of a final maturity date, or decrease of an interest rate. The IBank Board has the authority to waive or amend credit standards as necessary to accommodate complex or unusual transactions as stated in the IBank Criteria, Priorities, and Guidelines for the Selection of Projects for Financing Under the Infrastructure State Revolving Fund (ISRF) Program, General Quantitative Analysis (VI)(C).

Staff Recommendation

Staff recommends approval of Resolution No. 19-14 authorizing the amendment of the existing IBank Loan No. CIEDB-BC08-077 for the Paradise Irrigation District.