

**Agreement No. 23-139**

**LOAN AGREEMENT  
(LINE OF CREDIT)  
BETWEEN COUNTY OF YOLO AND THE MADISON COMMUNITY SERVICES  
DISTRICT**

THIS LOAN AGREEMENT (the “Agreement”) is entered into as of June 27, 2023 (the “Effective Date”) between the County of Yolo, a political subdivision of the State of California (the “County”), and the Madison Community Services District, formed and operating under Community Services District Law (Government Code §§ 61000 et seq.) (“Madison CSD”).

**RECITALS**

WHEREAS, Madison CSD manages and maintains the water system and the sewer system around the community of Madison; and

WHEREAS, the Madison CSD was awarded a grant from the California Department of Water Resources (“DWR”) in the amount of \$3,843,706 (“DWR Grant”); and

WHEREAS, the DWR Grant funds to be received will be used for the Madison Community Drinking Water Rehabilitation Project (“the Project”), which involves the replacement of existing leaking water distribution system pipelines and rehabilitating the existing well to ensure the community has reliable water supply during current and future droughts; and

WHEREAS, the Project requires Madison CSD to expend significant sums and seek reimbursement from DWR and, in order to properly manage cashflow, Madison CSD requested to the County for a line of credit in the maximum principal sum of Five Hundred Thousand and No/100 Dollars (\$500,000.00) and

WHEREAS, the County is expressly authorized to lend any of its available funds to Madison CSD, which is located entirely within the boundaries of the County pursuant to Government Code section 23010 for the Project, which will enable Madison CSD to perform its functions and meet its obligations; and

WHEREAS, Madison CSD has determined the loan does not exceed 85 percent of Madison CSD’s anticipated revenue for the fiscal year in which it is made or for the next ensuing fiscal year, and shall be repaid out of that revenue before the payment of any other obligation of Madison CSD in compliance with Government Code section 23010; and

WHEREAS, County agrees to loan a maximum of \$500,000 to Madison CSD on the terms and conditions set forth in this Agreement; and

WHEREAS, the County further desires to delegate authority to the County's Chief Financial Officer to approve an increase to the loan maximum by \$250,000 if conditions warrant (a revised maximum Principal Amount of \$750,000), and in the Chief Financial Officer's sole discretion. If the option is exercised, the Chief Financial Officer shall amend this Agreement to reflect the additional principal offered.

**NOW, THEREFORE,** the County and the Madison CSD agree as follows:

**1. LOAN**

County establishes a line of credit (the "Loan") for Madison CSD in the principal amount of \$500,000.00 (the "Principal Amount") until December 31, 2024 (the "Maturity Date"). The County's Chief Financial Officer is further authorized to approve an increase to the Principal Amount by an additional \$250,000 if conditions warrant (a revised maximum Principal Amount of \$750,000) as determined in the Chief Financial Officer's sole discretion. If the option is exercised, the parties shall enter into a written amendment to this Agreement to reflect the increased Principal Amount.

**2. LOAN DISBURSEMENTS**

The Loan will be paid from the County to Madison CSD with a maximum of one draw per month up to a total maximum disbursement of the Principal Amount.

Madison CSD must provide at least 5 calendar days written notice to the County Department of Financial Services of each of its requests for payment. Disbursement requests must include supporting information demonstrating expenses or anticipated expenses will be reimbursed subsequently by the CA DWR grant and must be signed by such officer of Madison CSD authorized by it to request disbursement. Until such time as Madison CSD notifies County otherwise, Madison CSD authorizes its General Manager to request a disbursement.

County may refuse to make any requested disbursement payment if an event of default has occurred and is continuing either at the time the request is given or if an event has occurred or condition exists which, with the giving of notice or passing of time or both, would constitute an event of default under this Agreement as of such dates.

County may also refuse to make any requested disbursement if, in its sole determination, the supporting documentation is insufficient or does not show a high likelihood of reimbursement.

**3. PROMISE TO PAY**

Madison CSD promises to pay to the order of Yolo County Department of Financial Services, 625 Court Street, Room 102, Woodland, CA 95695, or at such other place as County

may designate in writing, the principal sum of \$500,000 or the aggregate unpaid Principal amount of all disbursements made by County to Madison CSD pursuant to the terms of this Agreement, whichever is less, together with interest owing thereon from the date each disbursement is made until paid in full, at the rate set forth in Section 4 below. The County shall be repaid out of the DWR Grant revenues before the payment of any other obligation of Madison CSD.

**4. INTEREST**

All sums paid to Madison CSD pursuant to this Agreement shall bear interest from the date each disbursement is made until paid in full at a per annum rate corresponding to a fixed rate, simple interest, based on the 5.00% per annum. Interest shall be calculated for actual days elapsed on the basis of a 365-day year. This rate takes into account all related costs and risks related to the loan.

**5. USE OF LOAN PROCEEDS**

Madison CSD must use installments solely for reimbursable costs incurred in connection with the Project and the DWR Grant.

**6. REPAYMENT**

The maturity date is December 31, 2024. Madison CSD shall repay the County the outstanding principal and interest amounts no later than December 31, 2024.

Prepayment in whole or part may occur at any time without penalty; provided that any partial prepayment shall not operate to postpone or suspend the obligation to make and shall not have the effect of altering the time for payment of the remaining balance owing as provided for above, unless and until the entire obligation is paid in full. All payments received under this paragraph shall be applied, first, to any late fees or default costs; second, to accrued interest; and third, to principal.

County may accept late payments, partial payments, and checks or money orders marked "paid in full" or containing similar language without losing any of its rights under this Agreement.

On or before the Maturity Date, Madison CSD must pay the entire outstanding balance owing.

**7. LATE FEE**

If Madison CSD does not pay any payment due within 10 days after the date it is due, a late fee of the greater of \$100 or 5% of the payment amount will be charged to the Loan, unless this is not the fault of Madison CSD, and waived by the County due to good cause.

**8. REPRESENTATIONS AND WARRANTIES**

In order to induce County to enter into this Agreement and to make the disbursements provided for in this Agreement, Madison CSD represents and warrants to County as follows:

- a. Madison CSD is a duly organized, validly existing, and in good standing under the laws of the State of California.
- b. Madison CSD has the authority and power to execute and deliver any document required under this Agreement and to perform any condition or obligation imposed under this Agreement.
- c. The execution, delivery and performance of this Agreement will not violate any provision of any applicable law, regulation, order, judgment, decree, indenture, contract, agreement, or other undertaking to which Madison CSD is a party, or which purports to be binding on Madison CSD.
- d. To Madison CSD’s knowledge, there is no action, suit, investigation, or proceeding pending or threatened, against or affecting Madison CSD which, if adversely determined, would have a material adverse effect on the financial condition of Madison CSD or its operation.

**9. EVENTS OF DEFAULT**

An event of default will occur if any of the following events occurs and Madison CSD fails to cure such default within 15 calendar days after written notice from County of such default (provided that if the default is such that more than 15 calendar days is required for its cure, no Event of Default shall have occurred unless Madison CSD fails to commence the cure within such 15 day period or thereafter fails to reasonably prosecute the cure to completion):

- a. Failure to pay any amount owed under this Agreement within 10 days after such payment was due and payable.
- b. Failure to promptly seek reimbursement from DWR for expenses incurred in connection with the Project.
- c. Failure to expend funds for the Project that is inconsistent with the DWR Grant funding agreement.
- d. Any representation or warranty made by Madison CSD in this Agreement or in connection with any borrowing or request for an installment hereunder, or in any certificate, financial statement, or other statement furnished by Madison CSD to County is untrue in any material respect at the time when made.

e. Default by Madison CSD in the observance or performance of any other covenant or agreement contained in this Agreement.

f. Filing by Madison CSD of bankruptcy seeking reorganization, arrangement or readjustment of debts, or any other relief under the Bankruptcy Code as amended or under any other insolvency act or law, state or federal, now or hereafter existing.

## **10. REMEDIES**

Upon the occurrence of an event of default as defined above and failure of Madison CSD to cure a default within the requisite time period, County may declare the entire unpaid principal balance, together with accrued interest thereon, to be immediately due and payable without presentment, demand, protest, or other notice of any kind. County may suspend or terminate any obligation it may have under this Agreement to make additional installments. To the extent permitted by law, Madison CSD waives any rights to presentment, demand, protest, or notice of any kind in connection with this Agreement. No failure or delay on the part of County in exercising any right, power, or privilege hereunder will preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided in this Agreement are cumulative and not exclusive of any other rights or remedies provided at law or in equity. Madison CSD agrees to pay all costs of collection incurred by reason of the default, including court costs and reasonable attorney's fees.

If Madison CSD defaults on payment, the Yolo County Chief Financial Officer is authorized to withhold an equal amount from the distribution of property taxes, direct charges, or other distributions the Yolo County Department of Financial Services would otherwise make to Madison CSD.

## **11. NOTICE**

Any written notice will be deemed effective on the date such notice is placed, first class, postage prepaid, in the United States mail, addressed to the party to which notice is being given as follows:

County: Yolo County  
Department of Financial Services  
625 Court Street, Room 102  
Woodland, CA 95695

Madison CSD: Madison Community Services District  
28963 Main Street  
Madison, CA 95653  
Attention: General Manager

**12. INDEMNIFICATION**

Madison CSD agrees to indemnify County with regard to any liability, including attorneys' fees and costs, on the part of the County which may arise from this Agreement or in Madison CSD's completion of the Project, including costs incurred by County in connection with enforcing this Agreement.

**13. GENERAL PROVISIONS**

**a. SURVIVAL OF TERMS.** All representations and warranties made in this Agreement shall survive the execution and delivery of this Agreement. This Agreement shall be binding upon and inure to the benefit of Madison CSD and County, their respective successors and assigns, except that Madison CSD may not assign or transfer its rights or delegate its duties under this Agreement without the prior written consent of County.

**b. INSPECTION AND RETENTION OF RECORDS.** Authorized representatives of County, the state and/or the federal government may inspect and/or audit Madison CSD's records pertaining to this Agreement, including the Project. All records shall be retained for a minimum of ten years after termination of this Agreement.

**c. CHOICE OF LAW.** The parties have executed and delivered this agreement in the County of Yolo, State of California. The laws of the State of California shall govern the validity, enforceability or interpretation of this Agreement. Yolo County shall be the venue for any action or proceeding, in law or equity, that may be brought in connection with this Agreement.

**d. CHANGES AND AMENDMENTS.** The parties may request changes in this Agreement. Any mutually agreed upon change shall be effective when only incorporated by a written amendment to this Agreement.

**e. ENTIRE AGREEMENT.** This Agreement, including any exhibits referenced, constitutes the entire agreement between the parties and there are no inducements, promises, terms, conditions or obligations made or entered into by County or Madison CSD other than those contained.

[Signatures on Following Page]

The parties have executed this Agreement on the day and year first written above.

**COUNTY:**

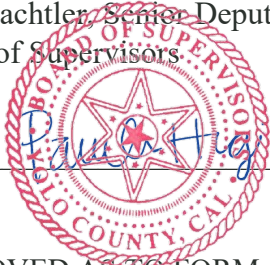
COUNTY OF YOLO,  
a Political Subdivision of the State of California

By: *Oscar E. Villegas*  
Oscar E. Villegas, Chair Board of Supervisors

**ATTEST:**

Julie Dachtler, Senior Deputy Clerk  
Board of Supervisors

By: *Philip J. Pogledich* Deputy (Seal)



APPROVED AS TO FORM  
Philip J. Pogledich, County Counsel

By: *Kimberly E. Hood*  
Kimberly Hood, Asst. County Counsel

**DISTRICT:**

MADISON COMMUNITY SERVICES DISTRICT,  
a California Special District

By: *Leo Refsland*  
Leo Refsland, General Manager

Approved as to Form:  
Barth Daly LLP

By: *Thomas Barth*  
Thomas Barth (Aug 14, 2023 10:46 PDT)  
Tom Barth, District Counsel

[District Letterhead]

To: [Name], County Treasurer  
From: [Name], [Title]  
Date: [XX/XX/XXXX]  
Subject: Draw Request [#] – Madison CSD Line of Credit

We are requesting you transfer to the Madison CSD General Fund in the County Treasury the following amounts as a draw on the Loan agreement executed between Madison CSD and the County effective June 27, 2023.

Fund Number:	6340 – Madison CSD
Amount Requested	[Amount]
Purpose for which funds are requested:	

The District certifies:

- The district has not had an event of default in accordance with the loan agreement; and
- The amounts being drawn are for expenditures associated with the Project and are expended to be reimbursable by the California Department of Water Resources.
- Supporting documentation for the draw are attached as applicable.

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Print Name**

\_\_\_\_\_  
**Title**