

## RESOLUTION 39-2025

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE GROVELAND COMMUNITY SERVICES DISTRICT AUTHORIZING EXECUTION OF LOAN DOCUMENTS FOR A REVOLVING LINE OF CREDIT WITH MECHANICS BANK TO ENSURE SUFFICIENT CASH FLOW FOR TIMELY CONTRACTOR PAYMENTS PENDING STATE GRANT REIMBURSEMENTS**

**WHEREAS**, the Groveland Community Services District (“District”) is currently implementing several water system improvement projects funded through various State grant programs; and

**WHEREAS**, while these grants cover eligible project costs, the District is required to pay contractors directly within thirty (30) days of invoice and subsequently request reimbursement from the granting agencies; and

**WHEREAS**, because each grant program has its own reimbursement schedule and documentation requirements, timing delays of four to ten weeks occur between the time contractor payments are due and when the District receives reimbursement; and

**WHEREAS**, recent project delays and rebidding due to significant and rapid increases in construction costs have resulted in multiple large projects advancing simultaneously, creating overlapping progress payments within a short timeframe; and

**WHEREAS**, all project work must be completed by December 2025, further tightening construction and payment schedules and increasing the potential for short-term cash flow challenges within the Water Fund; and

**WHEREAS**, to ensure timely payment to contractors and maintain sufficient operating liquidity, staff evaluated options for establishing a short-term line of credit for the Water Fund; and

**WHEREAS**, proposals were received from Mechanics Bank, the District’s current banking partner, and Five Star Bank, a California Special Districts Association (CSDA) Business Affiliate; and

**WHEREAS**, after reviewing interest rates, repayment terms, and overall flexibility, Mechanics Bank was determined to offer the most favorable combination of rate, structure, and accessibility to meet the District’s needs; and

**WHEREAS**, the line of credit will be used on an as-needed basis to bridge the timing gap between project expenditures and the receipt of reimbursable grant funds, with borrowed funds to be repaid promptly as reimbursements are received; and

**WHEREAS**, as of the date of this resolution, total outstanding invoices amount to \$2,066,310, with an additional \$2,781,750 required to complete the projects and \$1,406,000 in outstanding reimbursements due to the District, resulting in total project-related obligations of \$6,254,060; and

**WHEREAS**, staff recommends establishing a \$2,000,000 revolving line of credit with Mechanics Bank to support timely contractor payments and maintain adequate liquidity, to be reduced to \$500,000 upon project completion for future working capital needs; and

**WHEREAS**, the loan would be structured as a variable-rate revolving line of credit at the Prime Rate, currently 7.25 percent, with no additional margin and a floor rate of 6 percent, including a one-time fee of 0.50 percent of the loan amount, with monthly interest payments and full repayment of principal and accrued interest due at maturity twelve (12) months from origination; and

**WHEREAS**, the loan will be secured by a first lien on all business assets of the District and will include standard financial covenants, insurance requirements, and a minimum daily cash balance of \$1.5 million with Mechanics Bank; and

**WHEREAS**, establishing this line of credit will ensure the District can meet its contractor payment obligations in a timely manner, maintain project schedules, and preserve sufficient liquidity while awaiting reimbursement of grant funds.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Groveland Community Services District as follows:

1. The Board hereby approves the establishment of a \$2,000,000 revolving line of credit with Mechanics Bank under the terms and conditions described above.
2. The General Manager is authorized to execute all necessary agreements and documents, subject to review and approval by District Legal Counsel.
3. The General Manager is authorized to draw upon and repay the line of credit as needed to manage short-term cash flow associated with reimbursable project expenditures.
4. Upon completion of current grant-funded water projects, the line of credit shall be reduced to \$500,000 to support ongoing operational cash flow management.
5. This Resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** by the Board of Directors of the Groveland Community Services District on this 12th day of November 2025, by the following vote:

**AYES:** Directors Swan, Armstrong, Kwiatkowski, and Turney

**NOES:**

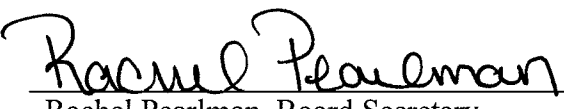
**ABSENT:** Director Mora

**ABSTAIN:**

APPROVE:

  
\_\_\_\_\_  
Bob Swan, Board Chair

ATTEST:

  
\_\_\_\_\_  
Rachel Pearlman, Board Secretary

**CERTIFICATE OF SECRETARY**

I, Rachel Pearlman, the duly appointed and acting Secretary of the Board of Directors of the Groveland Community Services District, do hereby declare that the foregoing Resolution was duly passed and adopted at a Regular Meeting of the Board of Directors of the Groveland Community Services District, duly called and held on November 12, 2025.

DATED: November 12, 2025