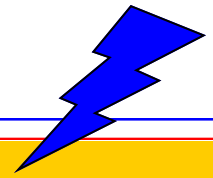


# Action Item #6



**March 15, 2024**

## **ISSUE:**

Due to possible delays in cash reimbursements from the State of California (DDS), the Regional Center may want the option of having a revolving loan facility (loan or loans) available to continue business operations without interruption. Delays in cash reimbursements may result from events like untimely passage of the State budget, delays in federal reimbursements due to DDS, or events similar to the COVID-19 pandemic.

## **BACKGROUND:**

In the prior year, the Regional Center obtained loans from U.S Bank (Bank) for an amount estimated to operate the Regional Center for up to thirty (30) days. The Regional Center had a \$21 million committed loan from June 1, 2023 - August 31, 2023 (three months) and a \$21 million uncommitted loan from September 1, 2023 - May 31, 2024 (nine months). U.S. bank did not charge a fee for the loan for period June 1, 2023 – May 31, 2024.

The Regional Center used its committed loan for three days in July 2017 and did not borrow during 2018-2023.

## **COMMITTED LOAN:**

A current year loan of \$27.0 million with a term from June 3, 2024 - August 30, 2024 (three months) is proposed. The \$27.0 million will fund operations for approximately thirty (30) days. There will be a legal fees associated with this loan as it will be a line of credit and incurs no interest fees unless drawn upon. These fees were waived in the prior year, the year of merger from Union Bank, MFG to U.S. Bank. Interest charged at the bank's reference rate (currently 8.5%) on any amounts loaned.

## **UNCOMMITTED LOAN:**

A current year loan of \$27.0 million with a term from September 2, 2024 - May 30, 2025 (nine months) is proposed. A commitment fee is not required. Interest charged at the bank's reference rate (currently 8.5 %) on any amounts loaned.

## **REQUIRED DOCUMENTS:**

If the Regional Center arranges for loans, Company officials must sign the following documents:

Credit and Security Agreement ( Revolving Loan Facility) – Committed Loan

Credit and Security Agreement (Revolving Loan Facility) – Uncommitted Loan

Authorization to Obtain Credit, Grant, Security, Guarantee, or Subordinate

Perfection Certificate.

## **RECOMMENDATION:**

It is recommended the Board of Directors authorize the Chief Financial Officer and Executive Director to sign the Required Documents, which will enable the Regional Center to borrow up to \$27.0 million using three-month committed and nine-month uncommitted loans with U.S Bank. Interest charged at the banks reference rate (currently 7.75%) on any amounts loaned.