



PASO ROBLES AREA GROUNDWATER AUTHORITY

TO: Board of Directors
Agenda Item No. 7d

FROM: Taylor Blakslee, Hallmark Group / Claire Collins, Hanson Bridgett

DATE: July 22, 2026

SUBJECT: Authorize Loan Agreement with Shandon San Juan Water District for Short-Term Gap Funding for Fiscal Year 2026-2027

Recommendation

Authorize loan agreement with Shandon San Juan Water District to secure gap funding for Fiscal Year 2026-2027 subject to final form legal review.

Discussion

Background

On February 18, 2026 the Paso Robles Area Groundwater Authority (PRAGA) Board directed staff to implement a groundwater sustainability fee under Prop 26 (Water Code 10730) to fund the administration and implementation of the basins Groundwater Sustainability Plan (GSP) for Fiscal Year 2026-2027. On March 25, 2026, the PRAGA Board adopted the Fiscal Year 2026-2027 budget totaling \$1,095,446. On May 27, 2026, following a public meeting, the Board adopted passed Resolution 2026-001 authorizing the Groundwater Sustainability Fee to fund Fiscal Year 2026-2027 and placing fees on the tax roll.

Gap Funding for Fiscal Year 2026-2027

Since the Board directed the collection of fees to be placed on the tax roll, revenues are anticipated to be collected between October 2026 and July 2027, with the majority of fees expected to be collected in January 2027 and May 2027. Due to the timing of fee collection, staff performed a cash flow analysis and determined \$300,000 is required to cover expenses to be paid August 2026 through May 2027 (10 months). Staff has been in discussions with Shandon San Juan Water District (SSJWD) to borrow the money needed to cover this funding gap.

On June 24, 2026, the PRAGA Board authorized staff to negotiate an agreement with SSJWD to secure gap funding for Fiscal Year 2026-2027. Staff has been in communication with SSJWD staff and has developed a draft loan agreement of \$300,000, which is provided as **Attachment 1**. SSJWD will be reviewing this draft agreement at their Board meeting on July 22, 2026 and may provide additional feedback during the PRAGA Board meeting later in the day.

Pending additional feedback from SSJWD, this agreement is provided for consideration of approval and subject to final form review by legal counsel.

* * *

LOAN AGREEMENT

This Loan Agreement (“**Agreement**”) is made and entered into effective August 1, 2026 (“**Effective Date**”), between the PASO ROBLES AREA GROUNDWATER AUTHORITY (“**PRAGA**”), a joint powers authority organized and existing under the laws of the State of California, and the SHANDON-SAN JUAN WATER DISTRICT (“**SSJ**”), a California water district. PRAGA and SSJ are sometimes referred to collectively as the “**Parties**.”

PRAGA requires short-term cash-flow assistance to meet its operating obligations for Fiscal Year 2026/2027. The Parties intend for SSJ to provide cash-flow assistance through a loan on the terms and conditions set forth in this Agreement.

The Parties therefore agree as follows:

1. Loan Amount. SSJ will lend to PRAGA, and PRAGA will borrow from SSJ an amount not to exceed Three Hundred Thousand Dollars (\$300,000) (the “**Loan**”). Funds will be advanced by SSJ in one or more disbursements, within 10 days after written request by PRAGA to SSJ.
2. Interest Rate. The outstanding principal balance of the Loan will bear interest at a rate equal to one percent (1.00%) per annum above the California Cooperative Liquid Asset Securities System (“**California CLASS**”) Prime portfolio annualized yield rate in effect as of the date of each disbursement (each a “**Loan Date**”) (the “**Interest Rate**”). By way of example, if the California CLASS rate on a given Loan Date was 3.72%, as it was on July 8, 2026, the Interest Rate on the Loan installment amount would be 4.72% per annum.
3. Repayment. PRAGA shall repay the outstanding principal balance of the Loan, together with all accrued and unpaid interest, no later than June 30, 2027 (the “**Maturity Date**”), unless earlier repaid in accordance with Section 4. All payments will first be applied to accrued and unpaid interest and then to principal.
4. Prepayment. PRAGA may prepay all or any portion of the outstanding principal balance at any time and from time to time without premium or penalty. Any prepayment of principal will reduce the principal balance on which interest continues to accrue, thereby reducing the total interest payable under this Agreement. Partial prepayments will not postpone the Maturity Date or reduce the amount of any scheduled payment except as specifically agreed in writing by the Parties.
5. Collateral and Security. To secure repayment of the Loan and all obligations under this Agreement, PRAGA pledges to SSJ, as a first lien, all revenues derived from PRAGA’s water-related rates and charges, net of PRAGA’s actual operating costs (“**Pledged Rate Revenues**”). This pledge constitutes a first-priority security interest in the Pledged Rate Revenues. PRAGA shall grant or permit no other lien, pledge, or encumbrance on the Pledged Rate Revenues while any amount remains outstanding under this Agreement without the prior written consent of SSJ. PRAGA shall not take

any action that materially impairs the Pledged Rate Revenues or SSJ's security interest without the prior written consent of SSJ.

6. Use of Proceeds. Loan proceeds must be used solely to meet PRAGA's cash-flow requirements for Fiscal Year 2026/2027 operating obligations and for no other purpose without SSJ's prior written consent.

7. Default. If PRAGA: fails to pay any principal or interest when due and that failure continues for ten (10) days after written notice from SSJ; breaches any other material obligation under this Agreement and fails to cure any breach within thirty (30) days after written notice from SSJ; or becomes insolvent or makes a general assignment for the benefit of creditors, it will be in will be in default under this Agreement.

8. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California. Any dispute arising under this Agreement must be filed and heard in a court of competent jurisdiction in San Luis Obispo County, California.

9. Notice. Any notice required or permitted under this Agreement will be deemed received on: (i) the day of delivery if delivered by hand or overnight courier during normal business hours; (ii) the second business day following deposit in the United States mail, postage prepaid; or (iii) the day of delivery if delivered by email with confirmation of receipt. Notices must be addressed as follows:

To PRAGA:

Paso Robles Area Groundwater Authority
PO Box 82
Paso Robles, CA 93447
info@PasoRoblesAGA.org

To SSJ:

Shandon-San Juan Water District
930 Nysted Dr
Ballard, CA 93463
admin@ssjwd.org

10. Entire Agreement; Amendments. This Agreement constitutes the entire agreement of the Parties with respect to the Loan and supersedes all prior negotiations, representations, or agreements relating to the Agreement. No alteration or modification of this Agreement is valid unless made in writing and signed by authorized representatives of both Parties.

11. Severability. If any provision of this Agreement is held invalid or unenforceable, then the remaining provisions will continue in full force and effect.

12. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original and all of which together constitute one and the same instrument. Electronic or facsimile signatures will be deemed valid for purposes of this Agreement.

13. Attorneys' Fees. If either Party is required to initiate or defend any action or proceeding arising out of or related to this Agreement, then the prevailing party will be entitled to recover its reasonable attorneys' fees and all other reasonable costs resulting from that action or proceeding.

The Parties have executed this Agreement as of the Effective Date.

PASO ROBLES AREA GROUNDWATER AUTHORITY

By: _____
Matt Turrentine, President

APPROVED AS TO FORM:
Hanson Bridgett LLP

By: _____
Claire H. Collins, General Counsel

SHANDON-SAN JUAN WATER DISTRICT

By: _____
[Name], [Title]

APPROVED AS TO FORM:
Young & Wooldridge LLP

By: _____
Alan Doud, General Counsel

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF _____

On _____ 2026, before me, _____ Notary Public
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

(seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF _____

On _____ 2026, before me, _____ Notary Public
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

(seal)