



Agenda Date: 5/16/2018

Agenda Placement: 8A

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Administration

REPORT BY: Andrew Damron, Technical Services Director - 707-258-6000

SUBJECT: Consideration of Proposed FY 2018/19 Capital Project Appropriation Request and Update of FY 2018/19 to FY 2027/28 Ten-Year Capital Improvement Plan

RECOMMENDATION

Consideration of Proposed FY 2018/19 Capital Project Appropriation Request and Update of FY18/19 - FY27/28 Ten-Year Capital Improvement Plan.

EXECUTIVE SUMMARY

The proposed FY 2018/19 Capital Project Appropriation and the Ten-Year Capital Improvement Plan constitute the proposed Capital Improvement Program for the District. Details of the Capital Improvement Plan and Ten-Year Financial Forecast are attached.

Consistent with Policy and Adopted Master Plans

The proposed Ten-Year Capital Improvement Plan includes most of the recommendations from the Treatment Plant Master Plan and Collection System Master Plan, recognizing that these plans are due for update in the near future. The Ten-Year plan also continues the increased investment in the collection system to replace or rehabilitate on average 2% of sewers through I&I projects and R&R projects annually, as established as part of the most recent Proposition 218 process.

Reserves

Adopted by the Board several years ago and last updated in 2017, the financial policies establish minimum thresholds for an operating reserve for emergencies, debt service reserves, and a cash flow reserve. The Sewer Service Charge Fee Study conducted in 2016 also recommended specific levels of operating reserves. The Recycled Water Rate Study established a reserve that will begin in FY 2019/20. The establishment and full funding of these reserves helps to ensure NapaSan's long-term financial strength and provide resources in the event of operating or financial emergencies.

Anticipated Debt Issuance

The 10-Year Financial and Cash Flow Plan anticipates several projects will be funded through the use of debt. The Browns Valley Trunk project and the West Napa Pump Station Replacement will be combined into one financing, a State Revolving Fund Loan through the State Water Resources Control Board, through a special EPA program that provides some loan forgiveness for increased energy efficiency. The 72-inch Trunk Construction (Kaiser to IPS) project is a new project based on conducting a condition assessment of the existing pipe. For planning purposes, this project is assumed to be financed through the issuance of Certificates of Participation (COPs) on the municipal bond market. The WWTP MP - Second Digester and WWTP MP - Aeration Basin Expansion projects have been on the CIP for many years and have always been planned to be financed through COPs. Also, to be financed, are the NBWRA - 3rd Reservoir and NBWRA - RW Expansion Ph 2 projects that will take advantage of federal grants and federal infrastructure loans.

10-Year Forecast

The following material has been provided to explain and detail the proposed Capital Improvement Plan, 10-Year Financial Forecast, and Debt Summary for the District:

- I **10-Year Capital Improvement Plan (CIP)**
 - ┆ Narrative Description of the CIP, including changes from the prior CIP
 - ┆ Project Descriptions for each project for FY 2018/19
 - ┆ Allocation of Capacity Charges for FY 2018/19
 - ┆ Spreadsheets detailing the 10-Year Capital Improvement Plan
- I **10-Year Financial and Cash Flow Forecast**
 - ┆ Narrative Description
 - ┆ 10-Year Financial Forecast
- I **Debt Summary**
 - ┆ Narrative Description of existing and planned debt
 - ┆ Tables of interest payments, principal payments and year-end balances for existing debt

Long Term Planning Committee Recommendation

As was discussed with the Long Term Planning Committee, the Ten-Year Plan is an evolving vision of NapaSan's capital needs, and will continue to be updated and amended as more information comes available in the future or as NapaSan's priorities are further refined. The Long Term Planning Committee has reviewed and discussed the attached 10-Year Capital Improvement Plan.

The 10-Year Financial Forecast Is Balanced

The Board has taken considerable steps, both in terms of provide revenue through changes to the Sewer Service Charges, and through direct policy direction related to the capital plan and financing plan, to ensure that there are sufficient resources to match anticipated expenditures.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Sewer service charges, capacity charges, recycled water sales, interest earnings, loan proceeds, the sale of district-owned property, and other miscellaneous revenues.

For the Browns Valley Road Sewer Interceptor project and associated West Napa Pump Station improvements, NapaSan has applied for a Clean Water State Revolving Fund loan.

For the Recycled Water Truck Fill Station on Coombsville Road, Napa County has committed to pay 100% of the engineering and construction costs.

Is it Mandatory or Discretionary? Discretionary

Discretionary Justification: The Capital Improvement Plan is necessary to replace infrastructure that has reached the end of its useful life, does not meet regulatory requirements or poses a hazard to the health and safety of NapaSan's customers or employees. Projects are also necessary to meet anticipated capacity needs.

Is the general fund affected? Yes

Future fiscal impact: Appropriations for FY 2018/19 capital projects are proposed to be \$26,385,700. Also, funding for projects approved for expenditure in FY 2017/18 but uncompleted as of June 30, 2018 are anticipated to be carried forward into FY 2018/19.

Total Ten-Year Capital Improvement Plan projection, not including funds appropriated in FY 17/18 that may be carried forward, is \$243,788,000.

See attachments for further details.

Consequences if not approved: NapaSan will not have funded its capital program and its infrastructure will no longer reliably meet the service levels required.

Additional Information: None.

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

None.

SUPPORTING DOCUMENTS

- A . Presentation Slides
- B . Capital Improvement Plan Narrative Description
- C . FY 18/19 Capital Project Descriptions
- D . FY 18/19 Allocation of Capacity Charges
- E . 10-Year Capital Improvement Plan Details
- F . 10-Year Financial / Cash Flow Forecast

G . Debt Summary

H . Debt Services Tables

Napa Sanitation District: Approve

Reviewed By: Timothy Healy