



Agenda Date: 5/17/2017

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 2017/18 Capital Project Appropriation Request and Update of FY 2017/18 to FY 2026/27 Ten-Year Capital Improvement Plan

RECOMMENDATION

Consideration of Proposed FY 2017/18 Capital Project Appropriation Request and Update of FY17/18 - FY26/27 Ten-Year Capital Improvement Plan.

EXECUTIVE SUMMARY

The proposed FY 2017/18 Capital Project Appropriation and the Ten-Year Capital Improvement Plan constitute the proposed Capital Improvement Program for NapaSan. 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 items identified in the Strategic Plan, and most of the recommendations from the current Treatment Plant Master Plan and Collection System Master Plan. The Ten-Year Financial Plan also includes an increased investment in the collection system to replace or rehabilitate up to 2% of sewers through I&I projects and R&R projects, as established as part of the most recent Proposition 218 process.

The Board reviewed and adopted financial policies establishing minimum thresholds for an operating reserve for emergencies, debt service reserves, and a cash flow reserve. The Recycled Water Rate Study also established a reserve that will begin in FY 2019/20. The establishment and full funding of these reserves will help to ensure NapaSan's long-term financial strength and provide resources in the event of operating or financial emergencies.

10-Year Financial Plan

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

I **Capital Improvement Plan (CIP)**

- I Narrative Description of the CIP, including changes from the prior CIP
- I Project Descriptions for each project for FY 2017/18
- I Allocation of Capacity Charges for FY 2017/18
- I Spreadsheets detailing the 10-Year Capital Improvement Plan

I **Ten-Year Financial Plan**

- I Narrative Description
- I 10-Year Financial Forecast

I **Debt Summary**

- I Narrative Description of existing and planned debt
- I 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 Trunk project and associated West Napa Pump Station improvements, and the Recycled Water Reservoir Lining project, NapaSan intends to apply for a Clean Water State Revolving Fund loans.
	For the MST Recycled Water Pipeline Extension and Truck Fill Station projects, other agencies will be paying for these projects.
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 2017/18 capital projects are proposed to be \$25,018,300. Also, funding for projects approved for expenditure in FY

2016/17 but uncompleted as of June 30, 2017 are anticipated to be carried forward into FY 2017/18.

Total Ten-Year Capital Improvement Plan projection, not including funds appropriated in FY 16/17 that may be carried forward, is \$176,214,500.

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
- B . Capital Improvement Plan
- C . Ten-Year Financial Plan
- D . Debt Summary

Napa Sanitation District: Approve

Reviewed By: Jeff Tucker