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Agenda Placement: 4A

Napa Sanitation District Long Term Planning Committee Board Agenda Letter

TO: NSD Long Term Planning Committee

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

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

SUBJECT: Consideration of Proposed FY 2017/18 Capital Project Appropriations Request and Update of FY 2017/18 - FY 2026/27 Ten-Year Capital Improvement Plan

RECOMMENDATION

Consider Proposed FY 2017/18 Capital Project Appropriation Request and Update of FY 17/18 - FY 26/27 Ten-Year Capital Improvement Program, and provide direction to staff.

EXECUTIVE SUMMARY

The proposed FY 17/18 Capital Project Appropriation and the Ten-Year Capital 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 Plan includes most of the recommendations from the Treatment Plant Master Plan, Collection System Master Plan and Recycled Water Strategic Plan. However, there are some projects that have been postponed to match the cash flow projected from sewer service charges over the next several years.

Summary of Projects

The FY 17/18 capital plan can be broken down into 5 categories:

- 1) **Collection System Rehabilitation and I&I Projects (\$15,717,200)** include the Browns Valley Road Sewer Interceptor, the Summer 2017, Summer 2018 and Summer 2019 Sewer Rehabilitation projects, and the Soscol Ave (8th to Oil Company Road) trunk main rehabilitation project.
- 2) **Treatment Plant Projects (\$1,090,000)** including the of the Pond 1 Dredge, design of the Headworks Equipment Replacement, and design and implementation of the 3-water system rehabilitation.

3) **Recycled Water Projects (\$4,856,200)** including the Recycled Water Reservoirs Lining project, MST RW Expansion Project, and new recycled water fill station.

4) **Equipment Replacements (\$2,104,000)** including the plant and lab equipment, refurbishment of the camera equipment in the CCTV Truck, HVAC rehab in the Operations Building, and reroofing of two buildings in the plant.

5) **Other Projects (\$1,250,900)** including earthquake repairs to the digester tower, new asset management software for the Collection System and manhole raising in conjunction with city street paving projects.

A complete list of projects and descriptions is attached to this staff report.

Funding the Capital Improvement Plan

The proposed Capital Appropriation for FY 2017/18 is \$25,018,300. This includes \$4,076,000 from other agencies:

- 1) \$2,900,000 for the MST recycled water pipeline expansion and fill station construction paid by Napa County and the US Bureau of Reclamation
- 2) \$276,000 from FEMA/OES for the Earthquake repairs toward a \$300,000 project
- 3) \$900,000 in a "loan forgiveness" grant for the lining of the recycled water reservoirs

The entire 10-Year Capital Improvement Plan is estimated at \$176,214,500. This includes the projects noted above that are being financed by other agencies. It also includes a project to build recycled water day storage and other recycled water projects as part of the NBWRA Phase 2 program. The Ten-Year Financial Plan outlines the financial plan necessary to pay for these improvements.

Sewer service charges constitute a significant portion of the revenue needed for the capital plan. The FY 2017/18 budget and 10-Year Financial Plan are consistent with the sewer service charge increases approved by the Board in the Proposition 218 process. The balance of revenues used to fund the capital plan comes from debt proceeds, capacity charges, grant revenue, interest earnings, fund equity and from other agencies.

Capacity charges are a significant component of capital plan financing, accounting for over 18% of total capital spending in the ten year plan. Development is assumed to be a significantly higher in the next five fiscal years as several hotels and large development projects are anticipated to be built. The capacity charge fee is scheduled to increase on July 1, 2017 by 3.9%, based on the San Francisco ENR-Construction Cost Index, from \$8,950 to \$9,299 per EDU.

Use of Debt

The plan assumes that the Browns Valley Road Sewer Interceptor and associated improvements at West Napa Pump Station will be constructed using the proceeds from a new debt issuance of approximately \$18 million in the next fiscal year. The financial forecast has included the associated debt service in the 10-year forecast starting in FY 2018/19, as debt service payments are anticipated to begin after construction is complete. The 10-year forecast also assumes that debt will be issued for the Recycled Water Reservoir Lining project. In FY 2021/22, debt would be issued for the construction of the second digester, new aeration basin and clarifier, and associated improvements, and the plan also shows the issuance of debt in FY 2024/25 related to the NBWRA Phase 2 recycled water expansion and storage projects.

FISCAL IMPACT

Is there a Fiscal Impact? Yes

Is it currently budgeted?	No
What is the revenue source?	Sewer service charges, capacity charges, federal grants, other agencies, interest earnings and other miscellaneous revenues.
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, is of insufficient capacity, 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, current year unspent funding for incomplete projects as of June 30, 2017 are anticipated to be carried forward into FY 2017/18. Total Ten-Year Capital Plan projection, not including funds appropriated in FY 2016/17 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 . 10-year Financial Forecast
- B . Capital Project Descriptions
- C . 10-year Capital Plan
- D . Capacity Charge Allocation

Napa Sanitation District Long Term Planning Commit: Approve

Reviewed By: Jeff Tucker