



Agenda Date: 4/9/2018
Agenda Placement: 4A

Napa Sanitation District Long Term Planning Committee Board Agenda Letter

TO: NSD Long Term Planning Committee

FROM: Timothy Healy - General Manager
NS-Technical Services/Engineer

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

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

RECOMMENDATION

Consider Proposed FY 2018/19 Capital Project Appropriation Request and Update of FY 18/19 - FY 27/28 Ten-Year Capital Improvement Program, and provide direction to staff.

EXECUTIVE SUMMARY

The proposed FY 18/19 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 18/19 capital plan can be broken down into 5 categories:

- 1) **Collection System Rehabilitation and I&I Projects (\$18,095,600)** including the Browns Valley Trunk, West Napa Pump Station, the 2018, 2019, and 2020 Collection System Rehabilitation projects, the 66-inch trunk rehabilitation project, and the 72-inch trunk construction project.
- 2) **Treatment Plant Projects (\$5,420,000)** including the of the Pond 1 Dredge, the Headworks Equipment Replacement, the 2018 Treatment Plant Improvement project, and rehabilitation design of the Primary Clarifiers.

- 3) **Recycled Water Projects (\$525,000)** including the MST recycled water truck fill station and NBWRA costs.
- 4) **Equipment Replacements (\$1,143,300)** including the plant and pump station equipment, valves, and two vehicles.
- 5) **Other Projects (\$1,201,800)** including new asset management software, manhole raising in conjunction with city street paving projects, development review, and a SCADA project.

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

Funding the Capital Improvement Plan

The proposed Capital Appropriation for FY 2018/19 is \$26,385,700. This includes \$375,000 from Napa County for the MST truck fill station construction. The entire 10-Year Capital Improvement Plan is estimated at \$241,647,500. The 10-Year plan includes a project to build recycled water day storage and other recycled water improvements 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 2018/19 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 16% 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, 2018 by 3.5%, based on the San Francisco ENR-Construction Cost Index, from \$9,299 to \$9,624 per EDU.

Use of Debt

The plan assumes that the Browns Valley Road Sewer Trunk and associated improvements at West Napa Pump Station will be constructed using the proceeds from a new debt issuance of approximately \$25 million. The financial forecast has included the associated debt service in the 10-year forecast starting in FY 2021/22, as debt service payments are anticipated to begin after construction is complete. 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 debt service beginning in FY 2024/25 related to the NBWRA Phase 2 recycled water expansion and storage projects. The installation of a 72" trunk from the Influent Pump Station up to Kaiser Road will also result in the issuance of debt, with debt service assumed to begin in FY 2022/23.

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 2018/19 capital projects are proposed to be \$26,385,700. Also, current year unspent funding for incomplete projects as of June 30, 2017 are anticipated to be carried forward into FY 2018/19. Total Ten-Year Capital Plan projection, not including funds appropriated in FY 2017/18 that may be carried forward, is \$241,647,500. 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:

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 . FY 18/19 Capital Project Descriptions
- B . 10-Year Capital Improvement Plan
- C . Allocation of Capacity Charges
- D . 10-Year Financial / Cash Flow Forecast
- E . Projected Debt Service

Napa Sanitation District Long Term Planning Commit: Approve

Reviewed By: Timothy Healy