

Debt



Construction of the secondary effluent equalization basin in 2014



Completed secondary effluent equalization basin

Debt

The Napa Sanitation District issues long term debt for the construction of significant capital assets. Debt service is the annual or semi-annual payments the District makes to repay the principal and interest on its debt.

Debt Policy

As a matter of policy, the District has a preference to use pay-as-you-go financing for its capital projects and only uses debt financing for improvements that it cannot readily finance from current revenues. Exceptions can be made on a case-by-case basis for no-interest and extremely-low-interest loan programs to pay for capital projects.

Debt can only be used for major, non-recurring capital items, and the debt repayment timeline cannot exceed the expected useful life of the asset being financed.

Debt can only be issued when it has been shown that the District has the ability to pay all of its current obligations from current revenues and still have available 125% of the expected debt service amount to pay the debt service.

The District's complete debt policy can be found in Appendix D, Section 5.

Current Debt Obligations

2003 SRF – In 2003, the District entered into a 20-year loan with the State of California's State Water Resource Control Board Revolving Fund (SRF). The proceeds from this loan, \$901,376, were used for replacement of pipes in the collection system. The interest rate on this loan is 2.5%, with annual debt service of \$60,247. (See Debt Service Table 1.) Outstanding principal on this debt obligation is \$382,529 as of July 1, 2016.

2008 SRF – In 2008, the District entered into a 20-year loan with the State Water Resources Control Board. This loan, which came in two phases, was for a total of \$1,559,673 and was used to replace aging infrastructure in the collection system. This is a zero-percent interest loan; however, the annual debt service payment of \$93,581 includes a 16.667% state match and is recorded as imputed interest. (See Debt Service Tables 2 and 3.) Outstanding principal on this debt obligation is \$1,071,622 as of July 1, 2016.

Series 2009B – This 20-year Certificate of Participation was sold as a fixed-rate bond through competitive bid, and has a true interest cost of about 3.6%. The \$26,675,000 in proceeds was used to refinance the 1998 COPs, saving the District over \$250,000 annually in debt service payments. Annual debt service for this bond is \$1,961,254. (See Debt Service Table 4.) Outstanding principal on this debt obligation is \$20,090,000 as of July 1, 2016.

Series 2012A – This 20-year Certificate of Participation was delivered and executed to provide funds to repay the outstanding Adjustable Rate Refunding Revenue Certificates of Participation, Series 2009A and to finance \$33 million in new capital projects. Annual debt service for this bond is \$2,658,875. Outstanding principal on this debt obligation is \$34,000,000 as of July 1, 2016. (See Debt Service Table 5.)

Debt Covenants

A debt covenant is a requirement imposed on the District by a debt holder. These requirements range from requirements to pay the principal and interest payments on particular days of the year, to preparing and filing audited financial statements, to very specific financial performance requirements.

There is one significant debt covenant that has a financial impact to the District. This covenant applies to all of the District's debt, and is a debt service coverage requirement. Debt service coverage is the ratio of net revenues (revenues minus operating expenses) to annual debt service requirements. The District is required by the bond covenant to maintain a debt service coverage ratio of at least 1.25. For FY 2016/17, the District's coverage ratio is budgeted to be 3.20.

Debt Capacity & Debt Limitations

Debt Capacity is the difference between the amount of debt the District has outstanding (sold and authorized) and the maximum amount of debt the District can incur within its legal, public policy and financial limitations.

The District does not issue general obligation debt, and as such, there is no legal limitation on the amount of debt it can issue. The District is limited by the debt policies that it sets for itself (described above and in Appendix D) and by financial limitations. Financial limitations include two factors: 1) willingness of the bond market to loan the District money, and 2) limitations on future debt placed on the District by current debt.

First, the amount of debt the District can issue is limited by whether there are financial and other institutions and other buyers in the market willing to purchase the bonds that the District wants to issue. In tight capital markets, or if the financial health of the District is in question, the amount of debt the District can issue under favorable terms can be limited.

Second, the debt coverage ratio imposed by existing debt holders also applies to any future debt the District may want to issue. By forecasting operating revenues and expenditures and applying the 1.25 debt coverage ratio, a debt capacity can be calculated.

Currently, the District has the capacity to issue approximately \$105 million in additional debt (3.5% TIC, 20 year term), assuming that there was a buyer for that debt in the bond market, the District could pay the debt service, and other District financial policies are maintained.

Debt Coverage Ratio Calculation		
	Estimated FY 15/16	Proposed FY 16/17
Revenue		
Sewer Service Charges	\$19,734,000	\$22,514,000
Capacity Charges	2,998,000	5,512,000
Recycled Water	507,000	958,000
Interest	60,000	109,000
Rents & Leases	716,000	719,000
Other Revenue (excl. sale of property and grant revenue)	419,000	425,500
Operating Expenses	(\$13,311,250)	(\$14,978,930)
Net Revenue	\$11,122,750	\$15,258,570
Parity Debt Service		
2003 SRF	\$60,250	\$60,300
2008 SRF	93,650	93,650
2009B COP	1,961,300	1,956,800
2012A COP	2,658,900	2,657,200
Total Debt Service (excl. debt administration expenses)	\$4,774,100	\$4,767,950
Parity Debt Coverage Ratio (net revenue ÷ total debt service) (must be greater than 1.25)	2.33	3.20

Future Debt Issues

The Ten-Year Capital Improvement Plan and the Ten-Year Financial Plan includes financing the Browns Valley Road Sewer Interceptor and West Napa Pump Station Improvements project. It is projected that the Clean Water State Revolving Fund (SRF) loan proceeds will be received as reimbursements during the same year the expenses are incurred, starting in FY 2016/17, with debt service payments not beginning until after the completion of construction.

The plan assumes that the District will sell Certificates of Participation in FY 2021/22 for the purpose of constructing the second digester and expansion of the aeration basins. The plan also assumes that significant expansions of the recycled water system starting in FY 2022/23 will be financed using Federal loans established for that purpose (proceeds are shown as received in FY 2024/25).

Napa Sanitation District
Debt Service

Table 1

Napa Sanitation District
2003 SWRCB Revolving Fund Loan2.5%, 20 year term
\$901,376

Fiscal Year Jul 1	Annual Interest	Principal Payment	Ending Principal	Total Payment
2015/16	10,799	49,447	382,529	60,247
2016/17	9,563	50,683	331,845	60,247
2017/18	8,296	51,950	279,895	60,247
2018/19	6,997	53,249	226,646	60,247
2019/20	5,666	54,580	172,065	60,247
2020/21	4,302	55,945	116,121	60,247
2021/22	2,903	57,343	58,777	60,247
2022/23	1,469	58,777	-	60,247
2023/24	-	-	-	-
2024/25	-	-	-	-
2025/26	-	-	-	-
2026/27	-	-	-	-
2027/28	-	-	-	-
2028/29	-	-	-	-
2029/30	-	-	-	-
2030/31	-	-	-	-
2031/32	-	-	-	-
2032/33	-	-	-	-

Source: District Documents

Napa Sanitation District
Debt Service

Table 2

Napa Sanitation District

2008 SWRCB Revolving Fund Loan

E. Spring St. Sewer Rehabilitation Phase I

20 year term

\$1,376,804

Fiscal Year Jul 1	Imputed Interest	Principal Payment	Ending Principal	Total Payment
2015/16	18,834	63,774	945,837	82,609
2016/17	17,645	64,964	880,873	82,609
2017/18	16,433	66,176	814,697	82,609
2018/19	15,198	67,410	747,287	82,609
2019/20	13,941	68,668	678,619	82,609
2020/21	12,660	69,949	608,670	82,609
2021/22	11,355	71,254	537,417	82,609
2022/23	10,026	72,583	464,834	82,609
2023/24	8,672	73,937	390,897	82,609
2024/25	7,292	75,316	315,580	82,609
2025/26	5,887	76,721	238,859	82,609
2026/27	4,456	78,153	160,706	82,609
2027/28	2,998	79,611	81,096	82,609
2028/29	1,513	81,096	-	82,609
2029/30	-	-	-	-
2030/31	-	-	-	-
2031/32	-	-	-	-
2032/33	-	-	-	-

Source: District Documents

Napa Sanitation District
Debt Service

Table 3

Napa Sanitation District

2008 SWRCB Revolving Fund Loan

E. Spring St. Sewer Rehabilitation Phase II

20 year term

\$182,869

Fiscal Year Jul 1	Imputed Interest	Principal Payment	Ending Principal	Total Payment
2015/16	2,479	8,493	125,785	10,972
2016/17	2,323	8,650	117,136	10,972
2017/18	2,163	8,809	108,327	10,972
2018/19	2,000	8,972	99,355	10,972
2019/20	1,835	9,138	90,217	10,972
2020/21	1,666	9,306	80,911	10,972
2021/22	1,494	9,478	71,433	10,972
2022/23	1,319	9,653	61,780	10,972
2023/24	1,141	9,831	51,948	10,972
2024/25	959	10,013	41,935	10,972
2025/26	774	10,198	31,737	10,972
2026/27	586	10,386	21,351	10,972
2027/28	394	10,578	10,773	10,972
2028/29	199	10,773	-	10,972
2029/30	-	-	-	-
2030/31	-	-	-	-
2031/32	-	-	-	-
2032/33	-	-	-	-

Source: District Documents

**Napa Sanitation District
Debt Service**

Table 4

Napa Sanitation District

Refunding Revenue Certificates of Participation, Series 2009B

(1998 Refunding Project)

3% to 4% Range, 3.6% True Interest Cost (TIC), 20 year term
\$26,675,000

Fiscal Year Jul 1	Annual Interest	Principal Payment	Ending Principal	Total Payment
2015/16	741,254	1,220,000	20,090,000	1,961,254
2016/17	691,779	1,265,000	18,825,000	1,956,779
2017/18	653,229	1,305,000	17,520,000	1,958,229
2018/19	613,554	1,340,000	16,180,000	1,953,554
2019/20	572,064	1,380,000	14,800,000	1,952,064
2020/21	527,518	1,425,000	13,375,000	1,952,518
2021/22	479,371	1,470,000	11,905,000	1,949,371
2022/23	427,781	1,520,000	10,385,000	1,947,781
2023/24	372,634	1,575,000	8,810,000	1,947,634
2024/25	313,431	1,635,000	7,175,000	1,948,431
2025/26	251,087	1,690,000	5,485,000	1,941,087
2026/27	184,200	1,760,000	3,725,000	1,944,200
2027/28	112,500	1,825,000	1,900,000	1,937,500
2028/29	38,000	1,900,000	-	1,938,000
2029/30	-	-	-	-
2030/31	-	-	-	-
2031/32	-	-	-	-
2032/33	-	-	-	-

Source: 2009B Official Statement

Napa Sanitation District
Debt Service

Table 5

Napa Sanitation District

Revenue Certificates of Participation, Series 2012A

2.86% True Interest Cost (TIC), 20 year term
 \$37,845,000

Fiscal Year Jul 1	Annual Interest	Principal Payment	Ending Principal	Total Payment
2015/16	1,268,875	1,390,000	34,000,000	2,658,875
2016/17	1,212,175	1,445,000	32,555,000	2,657,175
2017/18	1,153,175	1,505,000	31,050,000	2,658,175
2018/19	1,091,775	1,565,000	29,485,000	2,656,775
2019/20	1,027,975	1,625,000	27,860,000	2,652,975
2020/21	961,675	1,690,000	26,170,000	2,651,675
2021/22	892,575	1,765,000	24,405,000	2,657,575
2022/23	820,675	1,830,000	22,575,000	2,650,675
2023/24	745,875	1,910,000	20,665,000	2,655,875
2024/25	667,875	1,990,000	18,675,000	2,657,875
2025/26	586,675	2,070,000	16,605,000	2,656,675
2026/27	502,275	2,150,000	14,455,000	2,652,275
2027/28	425,825	2,230,000	12,225,000	2,655,825
2028/29	357,875	2,300,000	9,925,000	2,657,875
2029/30	287,900	2,365,000	7,560,000	2,652,900
2030/31	215,900	2,435,000	5,125,000	2,650,900
2031/32	135,275	2,520,000	2,605,000	2,655,275
2032/33	45,588	2,605,000	-	2,650,588

Source: 2012A Official Statement

Napa Sanitation District
Debt Service Summary
Tables 1 - 5

	Table 1 2003 SRF \$901,376	Table 2 2008 SRF Phase I \$1,652,171	Table 3 2008 SRF Phase II \$219,444	Table 4 Series 2009B \$26,675,000	Table 5 Series 2012A \$37,845,000	
Fiscal Year Jul 1	Total	Total	Total	Total	Total	FY Total All Debt Service
2015/16	60,247	82,609	10,972	1,961,254	2,658,875	4,773,956
2016/17	60,247	82,609	10,972	1,956,779	2,657,175	4,767,781
2017/18	60,247	82,609	10,972	1,958,229	2,658,175	4,770,231
2018/19	60,247	82,609	10,972	1,953,554	2,656,775	4,764,156
2019/20	60,247	82,609	10,972	1,952,064	2,652,975	4,758,866
2020/21	60,247	82,609	10,972	1,952,518	2,651,675	4,758,020
2021/22	60,247	82,609	10,972	1,949,371	2,657,575	4,760,773
2022/23	60,247	82,609	10,972	1,947,781	2,650,675	4,752,283
2023/24	-	82,609	10,972	1,947,634	2,655,875	4,697,090
2024/25	-	82,609	10,972	1,948,431	2,657,875	4,699,887
2025/26	-	82,609	10,972	1,941,087	2,656,675	4,691,343
2026/27	-	82,609	10,972	1,944,200	2,652,275	4,690,056
2027/28	-	82,609	10,972	1,937,500	2,655,825	4,686,906
2028/29	-	82,609	10,972	1,938,000	2,657,875	4,689,456
2029/30	-	-	-	-	2,652,900	2,652,900
2030/31	-	-	-	-	2,650,900	2,650,900
2031/32	-	-	-	-	2,655,275	2,655,275
2032/33	-	-	-	-	2,650,588	2,650,588