



Agenda Date: 3/4/2008
Agenda Placement: 7D

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Martha Burdick for Robert Peterson - Director
Public Works
REPORT BY: Nate Galambos, Principal Engineer Public Works - 259-8371
SUBJECT: Temporary loan of general fund moneys to Napa Berryessa Resort Improvement District

RECOMMENDATION

Director of Public Works and County Executive Officer requests the following as it relates to the temporary loan of General Fund money to the Napa Berryessa Resort Improvement District:

1. Adoption of a resolution approving issuance of a Note on funds loaned for the purpose of funding design of the District's facilities improvements and authorizing the Chair and Clerk of the Board to sign the Note; and
2. Approval of Budget Transfer No. 27 appropriating \$460,000 in the County Contribution budget (18600) and reducing General Fund Contingencies by an equivalent amount to fund the District's loan. (4/5 vote required)

EXECUTIVE SUMMARY

Adoption of the proposed resolution would extend a loan of \$460,000 of General Fund money to the Napa Berryessa Resort Improvement District. The loan is needed by the District to pay arrears to the design consultant for design services on their capital improvement projects required through a Cease and Desist Order issued by the Central Valley Regional Water Quality Control Board. The loan shall be repaid by the District through the assessment bond measure that was passed by the voters and approved by the District Board of Directors on April 24, 2007. The aforementioned assessment bond measure amount is approximately \$13,908,000. The District Engineer anticipates that the full amount of the loan would be repaid to the General Fund prior to the end of Fiscal Year 2008-2009.

This is a one time loan of funds based on highly unusual circumstances. Time is of the essence and using conventional loan avenues is not a viable option for the District.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The proposed loan source is the Napa County General Fund. The current balance in contingencies is \$5,572,284. If the loan is approved the remaining balance would be \$5,112,284.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	<p>The District has incurred charges for design services to HydroScience Engineers (HSe) of nearly \$581K , \$165K of which it has paid in good faith through the operations and maintenance budget. A balance of \$416K is still owed to HSe for design costs. Further, the Regional Board has requested additional information on a report prepared and submitted by HSe on the District's behalf. The report is a condition of the CDO and is required to be resubmitted to comply with the CDO. HSe estimates that the cost of including the additional information is \$44K, for a total of \$460K.</p> <p>Based on the information above, the District is requesting a short term loan from the County General Fund to pay for invoices of \$460K, due to HydroScience Engineers (HSe), the District's design consultant responsible for creating a facility master plan to correct infrastructure deficiencies and bring the District into compliance with the Regional Water Quality Control Board's standards. This is a one time loan of funds based on highly unusual circumstances. Time is of the essence and using conventional loan avenues is/was not a viable option for the District.</p>
Is the general fund affected?	Yes
Future fiscal impact:	The District anticipates full payback of the general fund loan no later than end of Fiscal Year 2009 contingent upon resolution of legal matters between the BOR and the existing resort concessionaires.
Consequences if not approved:	Should the loan not be approved, the District would maintain a substantial debt to their design consultant and services related to compliance with the Regional Board's CDO would cease increasing the potential of further legal actions by the Regional Board.
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

Based on the following background information, the District is requesting a short term loan from the County General Fund to pay for past due invoices to HydroScience Engineers (HSe), the District's design consultant responsible for creating a facility master plan to correct infrastructure deficiencies and bring the District into compliance with the Regional Water Quality Control Board's standards.

Background

In October 2006, the District received a Cease and Desist Order (CDO) with a sewer connection moratorium from the Central Valley Regional Water Quality Control Board (Regional Board) for violations related to the District's condition. The CDO emphasized the need for a comprehensive capital improvement program and the District residents responded by approving a benefit assessment district to fund the capital improvements; adopted by the District Board of Directors on April 24, 2007.

The District's design consultants, HydroScience Engineers (HSe) have been working on the capital improvements associated with the wastewater treatment plant, lift stations and the disposal fields which are the most pressing concerns of the Regional Board and the reason for the sewer connection moratorium. The District's goal is to complete these improvements by the end of 2009 with the intent of removing the sewer connection moratorium so residents can begin building new houses, and to significantly reduce the risk of sanitary sewer spills thereby reducing further compliance issues with the Regional Board. A portion of the funds from the benefit assessment were to offset costs incurred by the District for the services of HSe. However, efforts to obtain assessment bond financing have been stalled due to the Bureau of Reclamation (BOR) having legal issues with the current Lake Berryessa area resort concessionaires including Steele Park Resort (SPR) who receive water and sewer services from the District. Because the District's benefit assessment district includes SPR it cannot move forward with the assessment bond financing until it is assured that SPR will be participating in the assessment.

To fulfill contractual payment processes for invoices received to date from HSe, who entered into the contractual agreement with the District for design services to bring the District into compliance, a short term loan from the County General Fund is requested by the District. To date, the District has paid \$165K from the operations and maintenance budget. However, the remaining \$416K in design fees and an additional \$44K in work needed to comply with the CDO can not be absorbed by the District's operations and maintenance budget. Therefore the District is requesting that Napa County temporarily loan the District \$460K to pay arrears and required CDO work to HSe. While the District is compelled to complete its goal of complying with the Regional Boards concerns by the end of 2009, it has reluctantly directed HSe to cease all design work for the District and only complete the reports for the CDO by April 1, 2008 as directed by the Regional Board. The District expects the bond funding to be in place to provide repayment to the County General Fund in Fiscal Year 2009, based on information received from the BOR regarding the status of SPR.

SUPPORTING DOCUMENTS

- A . Resolution
- B . Exhibit A - Promissory Note

CEO Recommendation: Approve

Reviewed By: Helene Franchi