



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 4/4/2017

Agenda Placement: 6K

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Phillip Miller for Steven Lederer - Director of Public Works
Public Works

REPORT BY: Phillip Miller, Dep Dir PW-Flood Control & Water Resources - 707-259-8620

SUBJECT: Amend the Agreement with Napa Sanitation District Regarding the MST Recycled Water Expansion Project

RECOMMENDATION

Director of Public Works requests the following actions associated with the MST Recycled Water Pipeline Expansion project:

1. Approval of and authorization for the Chair to sign Amendment No. 1 to Agreement 160113B-16 with Napa Sanitation District increasing the amount by \$2,050,000 for a new maximum of \$2,190,000 and amending the scope of work to include construction of the project; and
2. Approval of Budget Transfer No. DPW020 appropriating \$2,050,000 in the Community Facilities District-MST Capital Improvement Project budget (Program #05001-MST Reclaim Water) with offsetting revenues from a State Revolving Fund Loan for construction of the Project. (4/5 vote required)

EXECUTIVE SUMMARY

The Milliken-Sarco-Tulocay (MST) basin has been designated as a groundwater deficient area for nearly 20 years. The County, in conjunction with Napa Sanitation District (NSD), has been participating in the planning and construction of recycled water pipelines to help alleviate the problem. Construction of the initial MST Recycled Water Pipeline Project is nearly complete and staff is finalizing costs to close out the current State Revolving Fund (SRF) loan. An MST Recycled Water Pipeline Expansion is being considered to add the Silverado Middle School, Tulocay Cemetery and other users.

In June 2016, the Board authorized several actions related to the expansion project including an agreement with Napa Sanitation District (NSD) and an application for a State Revolving Fund (SRF) loan. Since then a number of things have changed and the agreement needs to be amended. NSD was the recipient of a \$2 million Proposition 84 grant for the MST project. Therefore, the County did not need to provide funding for planning and design of the

project. The project design has been completed, the project was approved by the NSD Board on February 1, 2017 and is currently out to bid. Any remaining grant funds will be used to partially fund construction of the project.

Staff applied for the SRF loan and has been informed the loan will be approved. The \$2,050,000 loan will be funded through the SRF Green Project Reserve program whereby 50% of the project cost qualifies for principal forgiveness. The project cost estimate is \$4,100,000. With the 25% WaterSmart grant already approved and the Proposition 84 funds already in hand, there will be adequate funding available to complete the project. The amendment will change the agreement to reflect the current funding situation and the budget transfer will appropriate the \$2,050,000 to be reimbursed by the SRF forgivable loan.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	State Revolving Fund forgivable loan.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The MST Recycled Water Pipeline Expansion project will enable additional recycled water to be delivered to the groundwater deficient area, Silverado Middle School and Tulocay Cemetery in particular.
Is the general fund affected?	Yes
Future fiscal impact:	Construction of the project will continue into FY 2017-18.
Consequences if not approved:	The MST Recycled Water System will not be expanded beyond its existing limits.

Additional Information:

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The Napa County Board of Supervisors, acting as a responsible agency pursuant to the California Environmental Quality Act (CEQA) and State CEQA Guidelines, Section 15096, has considered the environmental effects of the Project both in a comprehensive Environmental Impact Report (EIR) - in December 2009 - and in a subsequent Addendum (November 2013). The Federal (NEPA) aspect of this Project has also been addressed - through both documents - and has been certified by the North Bay Water Reuse Authority - of which both the County and NSD are members - and its lead agency, the Sonoma County Water Agency.

BACKGROUND AND DISCUSSION

The Milliken-Sarco-Tulocay (MST) basin has been designated as a groundwater deficient area for nearly 20 years. The County, in conjunction with Napa Sanitation District (NSD), has been participating in the planning and construction of recycled water pipelines to help alleviate the problem. Construction of the initial MST Recycled Water Pipeline Project is complete. The construction budget, which was the basis for the 1% State Revolving Fund (SRF) loan and the formation of the Community Facilities District (CFD), was \$13.2 million partially offset by a 25%

Water Smart grant from the Bureau of Reclamation. During the construction approximately \$5 million in additional funding (grants) was approved by the State. The project is anticipated to be completed under budget at about \$13 million. The SRF loan and the CFD Special Taxes anticipated the project debt would be approximately \$10 million (\$13.2 million total construction cost estimate minus the Water Smart grant). It now appears the debt will be closer to \$7 million because of the State grants. Loan repayment commences one year after project completion, and began in late 2016. CFD revenue has been collected since 2014 based on the initial loan calculation, thus accounting for a higher fund balance of \$2 million compared to the debt service reserve requirement of approximately \$271,000. Once the project is completed, either with or without the expansion, the Special Taxes will be recalculated based on the total project costs and current debt levels, thus there is a possibility the Special Taxes could be reduced.

An MST Recycled Water Pipeline Expansion project is being considered to add the Silverado Middle School, Tulocay Cemetery and any other interested users. Both the school and cemetery are enthusiastic about participating and have agreed to be annexed into the CFD. The project cost is estimated not to exceed \$4.1 million and a \$1 million Water Smart grant has already been approved by the Bureau of Reclamation. NSD received a \$2 million grant from Proposition 84 funds and partially utilized it to fund the planning and design of the project. The NSD Board approved the project on February 1, 2017 and authorized going out to bid. Any remaining grant funds will be used to partially fund construction of the project.

Staff applied for the SRF construction loan and has been informed the loan will be approved. The \$2,050,000 loan will be funded through the SRF Green Project Reserve program whereby 50% of the project cost qualifies for principal forgiveness. The project cost estimate is \$4,100,000. With the 25% WaterSmart grant already approved and the Proposition 84 funds already in hand, there will be adequate funding available to complete the project. The amendment will change the agreement to reflect the current funding situation and the budget transfer will appropriate the \$2,050,000 to be reimbursed by the SRF forgivable loan. Although the loan is forgivable, it will still constitute General Fund debt and was reviewed and approved by the Debt Advisory Committee.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Ben Guerrieri