



Agenda Date: 2/3/2021

Agenda Placement: 8D

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Timothy Healy - General Manager
NS-Administration

REPORT BY: Cyndi Bolden, Senior Accountant - 258-6001

SUBJECT: Approve Resolution Authorizing the Execution and Delivery of Revenue Certificates of Participation, Series 2021A and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters

RECOMMENDATION

Approve Resolution Authorizing the Execution and Delivery of \$9,500,000 (not to exceed \$11,000,000) principal amount of Revenue Certificates of Participation, Series 2021A and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters for the 66-inch Sewer Trunk Rehabilitation project and a portion of the 2022 Collection System project.

EXECUTIVE SUMMARY

The Board adopted a resolution to approve the financing team and authorize certain other actions for the sale of revenue certificates of participation (COPs) for the 66-inch Sewer Rehabilitation project in November 2020. Since then, staff has been working with Municipal Advisor (KNN Public Finance) and Bond Counsel (Stradling Yocca Carlson & Rauth) in preparing the documents for the sale.

Staff anticipated issuing \$15,000,000 in debt for the total project cost of the 66-inch Sewer Trunk Rehabilitation project. However, the construction bids came in about \$5,000,000 lower than the engineer's estimate. The total project cost is now estimated to be about \$8,200,000. To take advantage of the low interest rates, staff is adding \$1,300,000 to the 2022 Collection System project for a total of \$9,500,000 to be financed. The 2022 Collection System project was decreased to only rehabilitate 1.5% of the sewer system as a result of the Board's decision to reduce expenses in anticipation of lower sewer revenues for the next two years. The additional funding will rehabilitate another 0.5% of the system, bringing it up to the annual goal of 2% of the system being rehabilitated.

One of the action items in the process of issuing debt is to obtain a credit rating from a credit agency. When the

COPs, Series 2017 were issued, NapaSan received a credit rating of AA with a stable outlook from S&P Global Ratings. About a year later, they revised the outlook from stable to positive. In April 2020, shortly after COVID-19 was declared a global pandemic, NapaSan received a letter from S&P stating that they affirmed the AA rating on the COPs, however they revised the outlook from positive back down to stable. Staff and Municipal Advisor gave a presentation to S&P for the new issuance on January 21, 2021, and was upgraded from a AA rating to a AA+ rating with a stable outlook on its existing debt and the current potential issuance. This was based on their opinion that NapaSan's financial management is sound and extremely strong in coverage and liquidity.

Municipal Advisor keeps a close watch on the municipal bond market and has noted that long and short-term interest rates are near historical low levels. They currently estimate that NapaSan could expect a True Interest Cost (TIC) of approximately 1.98% for the issuance.

Adoption of the attached resolution would authorize the following:

1. Authorize the execution of the Installment Purchase Agreement with the NSD Public Financing Corporation
2. Authorize the execution of the Trust Agreement
3. Authorize the execution of the Notice of Sale
4. Authorize the execution of the Continuing Disclosure Agreement
5. Approve the form of the Preliminary Official Statement
6. Authorize the preparation, sale and delivery of COPs
7. Authorize the execution of any and all documents deemed necessary to consummate the sale and delivery of the COPs
8. Authorize the appointment of a trustee

The process is anticipated to proceed according to the following schedule:

February 3, 2021 - NapaSan Board authorizes staff to move forward with the bond sale
 February 4, 2021 - Post Official Statement
 February 11, 2021 - Bond pricing
 February 25, 2021 - Closing / funding

NapaSan's legal counsel has reviewed the attached documents. Staff recommends the adoption of the attached resolution.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	The issuance of debt is anticipated in the FY 2020/21 budget and the 10-Year Capital Improvement Plan. Expenses associated with the debt issuance will be amortized over the life of the debt.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The issuance of debt is necessary to finance the 66-inch Sewer Trunk Rehabilitation project. The issuance of debt was anticipated as part of the adoption of the current year budget and the 10-Year Capital Improvement Plan.

Is the general fund affected?	Yes
Future fiscal impact:	The issuance of new debt will result in increased future debt service expenses for the next 20 years. The increase in debt service payments has been anticipated and incorporated into NapaSan's 10-Year Financial Forecast.
Consequences if not approved:	NapaSan will not proceed with the financing of the 66-inch Sewer Trunk Rehabilitation project and may need to delay the project or eliminate other projects in the 10-Year Capital Improvement Plan to pay on a pay-go basis.
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 . Resolution
- B . Installment Purchase Agreement
- C . Trust Agreement
- D . Notice of Sale
- E . Continuing Disclosure Agreement
- F . Preliminary Official Statement

Napa Sanitation District: Approve

Reviewed By: Timothy Healy