



Agenda Date: 5/15/2019

Agenda Placement: 8B

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Technical Services/Engineer

REPORT BY: Matthew Lemmon, Senior Civil Engineer - 707-258-6004

SUBJECT: Consideration of Proposed FY 2019/20 Capital Project Appropriation Request and Update of FY 2019/20 to FY 2028/29 Ten-Year Capital Improvement Plan

RECOMMENDATION

Consideration of Proposed FY 2019/20 Capital Project Appropriation Request and Update of FY19/20 - FY28/29 Ten-Year Capital Improvement Plan.

EXECUTIVE SUMMARY

The proposed FY 2019/20 Capital Project Appropriation and the Ten-Year Capital Improvement 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 Improvement Plan includes most of the recommendations from the Treatment Plant Master Plan and Collection System Master Plan, recognizing that these plans are due for update in the near future. The Ten-Year plan also continues the increased investment in the collection system to replace or rehabilitate on average 2% of sewers through I&I projects and R&R projects annually, as established as part of the most recent Proposition 218 process and the Board's Strategic Plan.

Reserves

Adopted by the Board several years ago and last updated in May 2018, the financial policies establish minimum thresholds for an operating reserve for emergencies, debt service reserves, and a cash flow reserve. The Sewer Service Charge Fee Study conducted in 2016 also recommended specific levels of operating reserves. The Recycled Water Rate Study recommended including an additional element in the recycled water fee to create a Recycled Water Capital Reserve, which started in calendar year 2019. The establishment and full funding of these reserves helps to ensure NapaSan's long-term financial strength and provide resources in the event of operating

or financial emergencies.

Anticipated Debt Issuance

The 10-Year Financial and Cash Flow Plan anticipates several projects will be funded through the use of debt. The Browns Valley Trunk project and the West Napa Pump Station Replacement have been combined into one financing, a State Revolving Fund Loan through the State Water Resources Control Board, through a special EPA program that provides some loan forgiveness for increased energy efficiency. The 66-inch Trunk Rehabilitation (Kaiser to IPS) project is a new project based on conducting a condition assessment of the existing pipe. The exact method of financing for this project has not yet been determined, but is expected to be completed toward the end of FY 2019/20. The WWTP MP - Second Digester and WWTP MP - Aeration Basin Expansion projects have been on the CIP for many years and have always been planned to be financed through Certificates of Participation. Also to be financed are the NBWRA - 3rd Reservoir and NBWRA - RW Expansion Ph 2 projects that will take advantage of federal grants and federal infrastructure loans. Finally, in the final year of the 10-Year CIP and 10-Year Financial and Cash Flow Plan, the 66-inch Trunk Rehabilitation (Imola to Kaiser Road) project will require debt financing.

10-Year Forecast

The following material has been provided to explain and detail the proposed Capital Improvement Plan, 10-Year Financial Forecast, and Debt Summary for the District:

- | **10-Year Capital Improvement Plan (CIP)**
 - | Narrative Description of the CIP, including changes from the prior CIP
 - | Project Descriptions for each project for FY 2019/20
 - | Allocation of Capacity Charges for FY 2019/20
 - | Spreadsheets detailing the 10-Year Capital Improvement Plan
- | **10-Year Financial and Cash Flow Forecast**
 - | Narrative Description
 - | 10-Year Financial Forecast
- | **Debt and Other Long Term Liabilities Summary**
 - | Narrative Description of existing and planned debt and other long term liabilities
 - | Tables of interest payments, principal payments and year-end balances for existing debt

Long Term Planning Committee Recommendation

As was discussed with the Long Term Planning Committee, the Ten-Year Plan is an evolving vision of NapaSan's capital needs, and will continue to be updated and amended as more information comes available in the future or as NapaSan's priorities are further refined. The Long Term Planning Committee has reviewed and discussed the attached 10-Year Capital Improvement Plan.

The 10-Year Financial Forecast Is Balanced

The Board has taken considerable steps, both in terms of provide revenue through changes to the Sewer Service Charges, and through direct policy direction related to the capital plan and financing plan, to ensure that there are sufficient resources to match anticipated expenditures.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Sewer service charges, capacity charges, recycled water sales, interest

earnings, loan proceeds, the sale of district-owned property, and other miscellaneous revenues.

For the Browns Valley Road Sewer Interceptor project and associated West Napa Pump Station replacement, NapaSan has applied for a Clean Water State Revolving Fund loan and anticipates receiving loan approval in early FY 2019/20.

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, 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 2019/20 capital projects are proposed to be \$33,873,300. Also, funding for projects approved for expenditure in FY 2018/19 but uncompleted as of June 30, 2019 are anticipated to be carried forward into FY 2019/20.

Total Ten-Year Capital Improvement Plan projection, not including funds appropriated in FY 18/19 that may be carried forward, is \$254,256,650.

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: 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 . Presentation Slides
- B . Capital Improvement Plan Narrative Description
- C . FY 19/20 Project Descriptions
- D . Capacity Charge Allocations
- E . 10-Year CIP Spreadsheets

- F . 10-Year Financial Plan Narrative Description
- G . 10-Year Financial Forecast
- H . Debt and Other Long Term Liabilities Narrative Description
- I . Debt Service Schedules

Napa Sanitation District: Approve

Reviewed By: Jeff Tucker