



Agenda Date: 6/20/2018

Agenda Placement: 7D

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

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

REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000

SUBJECT: Approve The Attached Three Resolutions Approving Various Aspects of NapaSan's SRF Loan for the Browns Valley Trunk Project

RECOMMENDATION

Approve the attached three resolutions regarding the Browns Valley Trunk Project (SRF Project #8244) pledging revenues, stating an intent to reimburse, and requesting a Local Match loan.

EXECUTIVE SUMMARY

As part of the Proposition 218 process in Spring 2016, NapaSan included in its long-term financing plans the resources necessary to fund the Browns Valley Trunk project. The increase in sewer service charges is intended to pay debt service payments on a Clean Water State Revolving Fund (SRF) loan with the State Water Resources Control Board.

NapaSan is currently in the final review stages of the SRF loan application process. Several resolutions by the NapaSan Board are necessary to pledge revenues, establish its intent to reimburse expenses from loan proceeds and to take part in the Local Match loan program.

The Resolution to Pledge Revenues indicates that the Board is willing to pledge all of its available revenues to pay for the debt service on the loan. The specific language in the resolution establishes that this loan will be on parity with other debt obligations of the District. A similar resolution was passed in 2016; however, there was an error in that resolution's wording that requires this new resolution to be adopted.

The Resolution stating NapaSan's Intent to Reimburse Expenditures is necessary to allow the costs of design, engineering and environmental consulting for the project to be reimbursed and included in the project financing. A similar resolution was passed by the Board in 2016; however, with the inclusion of the West Napa Pump Station replacement in the project, it is necessary to adopt a new resolution.

The Resolution stating NapaSan's intent to request a Local Match loan is necessary to allow NapaSan to take advantage of the favorable financing terms. Under this program, NapaSan will pay 16.667% of the project costs up front as a "Local Match." In exchange, the 30-year loan will bear interest at 0%. This arrangement allows NapaSan to move up in priority within the SRF funding program, and results in an "imputed interest rate" of 1.2%, better than the current 2.0% interest rate in the SRF program.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	The budget for the project is included in the 10-Year Capital Plan. The 10-Year Financial Plan includes increases in sewer service charges necessary to meet future debt service payments on this loan.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	This item is a priority item in the Board's Strategic Plan.
Is the general fund affected?	Yes
Future fiscal impact:	Execution of the SRF Loan will commit sewer service charges over the 30 years of debt service payments.
Consequences if not approved:	Without the SRF loan process, NapaSan would need to find alternative financing for the project.
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 - Pledge Revenues
- B . Resolution - Intent to Reimburse
- C . Resolution - Local Match

Reviewed By: Jeff Tucker