



Agenda Date: 4/22/2021

Agenda Placement: 4A

Napa Sanitation District Long Term Planning Committee Board Agenda Letter

TO: NSD Long Term Planning Committee

FROM: Timothy Healy - General Manager
NS-Technical Services/Engineer

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

SUBJECT: Consideration of Proposed FY 2021/22 Capital Project Appropriations Request and Update of FY 2021/22 - FY 2030/31 Ten-Year Capital Improvement Plan

RECOMMENDATION

Consider Proposed FY 2021/22 Capital Project Appropriation Request and Update of FY 21/22 - FY 30/31 Ten-Year Capital Improvement Program, and provide direction to staff.

EXECUTIVE SUMMARY

The proposed FY 21/22 Capital Project Appropriation and the Ten-Year Capital Plan constitute the proposed Capital Improvement Program for NapaSan. 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 Plan includes recommendations from the Treatment Plant Master Plan (2011) and the Collection System Master Plan (2021). The new Treatment Plant Master Plan (anticipated 2022) will provide new project recommendations for future years.

Summary of Projects

The FY 21/22 capital plan can be broken down into 5 categories:

- 1) **Collection System Projects (\$15,729,700)** including the Browns Valley Trunk, the 2021, 2022, and 2023 Collection System Rehabilitation projects, manhole rehabilitation project, manhole raising coordinated with city street paving projects, and North Napa siphon gate replacement project.
- 2) **Treatment Plant Projects (\$1,850,000)** including the 2021 treatment plant improvements, 2023 treatment plant

improvements, and pond levee repair projects.

3) **Recycled Water Projects (\$170,000)** including the SWRF truck fill station electronic dispensing unit and NBWRA costs.

4) **Equipment Replacements (\$1,132,800)** including treatment plant and pump station equipment, lab equipment, a vacuum truck, and a repair truck.

5) **Other Projects (\$1,245,800)** including the Wastewater Treatment Plant Master Plan, SCADA network upgrades, and development review.

A complete list of projects and descriptions is attached to this staff report.

Funding the Capital Improvement Plan

The proposed Capital Appropriation for FY 2021/22 is \$20,128,300. The entire Ten-Year Capital Improvement Plan is estimated at \$231,610,050. The Ten-Year Financial Plan outlines the financial plan necessary to pay for these improvements.

Sewer service charges constitute a significant portion of the revenue needed for the capital plan. The FY 2021/22 budget and 10-Year Financial Plan are consistent with the sewer service charge modification approved by the Board in the recent Proposition 218 process in March 2021. The balance of revenues used to fund the capital plan comes from capacity charges, grant revenue, interest earnings, and fund equity. The revenues in year 1 include loan proceeds of \$5,833,300 for the Browns Valley Trunk and West Napa Pump Station and bond proceeds of \$1,300,000 for the 66" Trunk Rehabilitation/2022 Collection System Rehabilitation project.

Capacity charges are a significant component of capital plan financing, accounting for over 15% of total capital spending in the ten year plan. The current COVID-19 pandemic has slowed development projects. The 10-Year Financial Plan anticipates development to start to ramp back up. However, it is still unknown how development will be impacted over the next several years. The capacity charge fee is scheduled to increase on July 1, 2021, by 2.7%, based on the ENR-Construction Cost Index, from \$9,959 to \$10,228 per EDU.

Use of Debt

The plan includes financing of the Browns Valley Road Sewer Trunk and improvements at West Napa Pump Station using the proceeds from the FY 19/20 SRF loan issuance of approximately \$40 million. The financial forecast has included the associated debt service in the 10-year forecast starting in FY 22/23, as debt service payments are anticipated to begin after construction is complete. NapaSan will also receive the remaining bond proceeds of \$1.3 million in FY 21/22 from the total bond issuance of \$9.5 million to fund the rehabilitation work on the 66" Trunk (Kaiser Road to the Influent Pump Station) and a portion of the 2022 Sewer Rehabilitation project. Debt service for that issue begins in FY 21/22.

The Ten-Year Financial Plan includes the issuance of debt in FY 28/29 for the rehabilitation of the 66" trunk main from Imola to Kaiser Road. The construction of the second digester, new aeration basin and clarifier, and associated improvements will also result in the issuance of debt, anticipated in FY 30/31.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?

Yes

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| Is it currently budgeted? | No |
| What is the revenue source? | Sewer service charges, capacity charges, loan proceeds, federal grants, interest earnings and other miscellaneous revenues. |
| 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, has insufficient capacity, 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 the FY 2021/22 capital projects are proposed to be \$20,128,300. Also, current year unspent funding for incomplete projects as of June 30, 2021 are anticipated to be carried forward into FY 2021/22. The total Ten-Year Capital Plan projection, not including funds appropriated in FY 2020/21 that may be carried forward, is \$231,610,050. 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 . FY 21/22 Capital Project Descriptions
- B . 10-Year Capital Improvement Plan
- C . Allocation of Capacity Charges
- D . 10-Year Financial / Cash Flow Forecast
- E . Projected Debt Service
- F . 10-Year CIP Bar Chart
- G . FY 21/22 CIP Pie Chart

Reviewed By: Timothy Healy