



Agenda Date: 4/25/2019

Agenda Placement: 4A

## Napa Sanitation District Long Term Planning Committee Board Agenda Letter

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**TO:** NSD Long Term Planning Committee

**FROM:** Andrew Damron for Timothy Healy - General Manager  
NS-Technical Services/Engineer

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

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

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### **RECOMMENDATION**

Consider Proposed FY 2019/20 Capital Project Appropriation Request and Update of FY 19/20 - FY 28/29 Ten-Year Capital Improvement Program, and provide direction to staff.

### **EXECUTIVE SUMMARY**

The proposed FY 19/20 Capital Project Appropriation and the Ten-Year Capital 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 Plan includes most of the recommendations from the Treatment Plant Master Plan (2011) and the Collection System Master Plan (2007). However, there are some projects that have been postponed to match the cash flow projected from sewer service charges over the next several years.

### **Summary of Projects**

The FY 19/20 capital plan can be broken down into 5 categories:

- 1) **Collection System Projects (\$25,701,500)** including the Browns Valley Trunk, West Napa Pump Station, the 2019, 2020, and 2021 Collection System Rehabilitation projects, manhole rehabilitation project, manhole raising coordinated with city street paving projects, and the 66-inch trunk rehabilitation project.
- 2) **Treatment Plant Projects (\$4,305,000)** including the Pond 1 Dredge, the 2019 and 2020 Treatment Plant

Improvement projects, and pond levee repair.

3) **Recycled Water Projects (\$510,000)** including the MST recycled water truck fill station, Kirkland pipeline rehabilitation study, and NBWRA costs.

4) **Equipment Replacements (\$3,019,800)** including the Headworks Equipment Replacement project, rehabilitation of the Primary Clarifiers and DAFT, treatment plant and pump station equipment, valves, and four vehicles.

5) **Other Projects (\$337,000)** including 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 2019/20 is \$33,873,300. The entire Ten-Year Capital Improvement Plan is estimated at \$254,256,650. 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 2019/20 budget and 10-Year Financial Plan are consistent with the sewer service charge increases approved by the Board in the Proposition 218 process in 2016. The balance of revenues used to fund the capital plan comes from capacity charges, grant revenue, interest earnings, fund equity and from other agencies. The revenues in year 1 also include loan proceeds of \$11,416,600 for the Browns Valley Trunk and West Napa Pump Station and bond proceeds of \$4,000,000 for the 66" Trunk 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. Development is assumed to begin slowing down next fiscal year and over the next several years, until it reaches the growth rates assumed in the city and county growth plans. The capacity charge fee is scheduled to increase on July 1, 2019 by 3.0%, based on the ENR-Construction Cost Index, from \$9,520 to \$9,803 per EDU.

### **Use of Debt**

The plan assumes that the Browns Valley Road Sewer Trunk and associated improvements at West Napa Pump Station will be constructed using the proceeds from a new FY 19/20 debt issuance of approximately \$39 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. Also late in FY 19/20, it is forecast that NapaSan will issue debt of about \$10 million for rehabilitation work on the 66" Trunk (Kaiser Road down to the Influent Pump Station). Debt service for that issue is expected to begin in early FY 21/22.

The Ten-Year Financial Plan includes the issuance of debt in FY 24/25 for the construction of the second digester, new aeration basin and clarifier, and associated improvements, with debt service beginning the following fiscal year. The plan also shows debt service beginning in FY 24/25 related to the NBWRA Phase 2 recycled water expansion and storage projects. The rehabilitation of the 66" trunk main from the Imola down to Kaiser Road will also result in the issuance of debt, anticipated in FY 27/28.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
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, is of 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 FY 2019/20 capital projects are proposed to be \$33,873,300. Also, current year unspent funding for incomplete projects as of June 30, 2019 are anticipated to be carried forward into FY 2019/20. Total Ten-Year Capital Plan projection, not including funds appropriated in FY 2018/19 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 . FY 19/20 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

Napa Sanitation District Long Term Planning Commit: Approve

Reviewed By: Jeff Tucker