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Agenda Placement: 4A

Napa Sanitation District Long Term Planning Committee Board Agenda Letter

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 2020/21 Capital Project Appropriations Request and Update of FY 2020/21 - FY 2029/30 Ten-Year Capital Improvement Plan

RECOMMENDATION

Consider Proposed FY 2020/21 Capital Project Appropriation Request and Update of FY 20/21 - FY 29/30 Ten-Year Capital Improvement Program, and provide direction to staff.

EXECUTIVE SUMMARY

The proposed FY 20/21 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 (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. The new Collection System Master Plan (anticipated 2020) and Treatment Plant Master Plan (anticipated 2022) will provide new project recommendations for future years.

Summary of Projects

The FY 20/21 capital plan can be broken down into 5 categories:

1) **Collection System Projects (\$38,400,400)** including the Browns Valley Trunk, West Napa Pump Station, the 2020, 2021, and 2022 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 (\$1,014,400)** including the Pond 1 Dredge and pond levee repair projects.
- 3) **Recycled Water Projects (\$150,000)** including NBWRA costs.
- 4) **Equipment Replacements (\$1,896,700)** including rehabilitation of the Primary Clarifiers and DAFT, treatment plant and pump station equipment, valves, and four vehicles.
- 5) **Other Projects (\$1,879,000)** 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 2020/21 is \$43,340,500. The entire Ten-Year Capital Improvement Plan is estimated at \$236,976,950. The Ten-Year Financial Plan outlines the financial plan necessary to pay for these improvements.

Typically, sewer service charges constitute a significant portion of the revenue needed for the capital plan. However, almost 50% of the revenues for FY 2020/21 will be from loan and bond proceeds. The revenues in year 1 include loan proceeds of \$16,249,900 for the Browns Valley Trunk and West Napa Pump Station and bond proceeds of \$11,000,000 for the 66" Trunk Rehabilitation project. The FY 2020/21 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.

Capacity charges are a significant component of capital plan financing, accounting for over 15% of total capital spending in the ten year plan. However, due to the current COVID-19 pandemic, it is unknown how development will be impacted over the next several years. The FY 2020/21 budget assumes it will 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. Staff will continue to evaluate the situation and make necessary adjustments as more information becomes available. The capacity charge fee is scheduled to increase on July 1, 2020 by 1.6%, based on the ENR-Construction Cost Index, from \$9,803 to \$9,959 per EDU.

Use of Debt

The plan assumes that the Browns Valley Road Sewer Trunk and improvements at West Napa Pump Station will be constructed using the proceeds from a new 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. Also late in FY 20/21, it is forecast that NapaSan will issue debt of about \$15 million for rehabilitation work on the 66" Trunk (Kaiser Road 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 rehabilitation of the 66" trunk main from Imola to Kaiser Road will also result in the issuance of debt, anticipated in FY 27/28.

FISCAL & STRATEGIC PLAN 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 2020/21 capital projects are proposed to be \$43,340,500. Also, current year unspent funding for incomplete projects as of June 30, 2020 are anticipated to be carried forward into FY 2020/21. Total Ten-Year Capital Plan projection, not including funds appropriated in FY 2019/20 that may be carried forward, is \$236,976,950. 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 20/21 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 20/21 CIP Pie Chart

Napa Sanitation District Long Term Planning Commit: Approve

Reviewed By: Cheryl P. Schuh