



Napa County

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Legislation Text

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TO: Board of Supervisors
FROM: Steven Lederer - Director of Public Works
REPORT BY: Richard Thomasser - Deputy Director of Public Works
SUBJECT: Amendment 2 to Agreement No. 160113B with Napa Sanitation District

RECOMMENDATION

Director of Public Works requests the following actions related to the Milliken-Sacro-Tulocay (MST) Recycled Water Project:

1. Approval and authorization for the Chair to sign Amendment No. 2 to Agreement No. 160113B with Napa Sanitation District providing for reimbursement of the District's costs to make new connections to the recycled water pipeline for properties that annex into the County of Napa Community Facilities District (CFD) 2012-1; and
2. Approval of a Budget Transfer for the following (4/5 vote required):
 - a. Increase revenue by \$350,000 in the County of Napa Community Facilities - MST Fund (Fund 2870, Org 2870000, Object 41900); and
 - b. Increase appropriations by \$350,000 in the County of Napa Community Facilities - MST Fund (Fund 2870, Org 2870000, Object 52360) offset by the increase in revenue.

EXECUTIVE SUMMARY

The County and Napa Sanitation District (NSD) have been working together to design and construct a recycled water system in the Milliken-Sarco-Tulocay area. An amendment is needed to the Agreement between Napa Sanitation District and the County to provide for reimbursement of the cost to connect additional users to the recycled water system for new annexations to CFD 2012-1.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No

Where is it budgeted?	CFD 2012-1
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Properties currently must annex into the CFD to obtain recycled water from the MST system. To date, all properties that have annexed have had the costs of their physical connection covered. NSD has been using grant funds but has now expended previously available funds for making such connections. The physical connection up to and including a water meter is considered an appurtenance to the recycled water system and therefore is an allowable expenditure for tax proceeds from the CFD.
Is the general fund affected?	No
Future fiscal impact:	Reimbursement of NSD's costs for physical connections will continue into future fiscal years, offset by additional tax revenues for each property that annexes.
Consequences if not approved:	No funds would be available to make new connections to the MST recycled water pipeline,
County Strategic Plan pillar addressed:	Vibrant and Sustainable Environment
Additional Information	Annexations occur on a fiscal year basis. The reimbursement for NSD's cost will be offset by the special taxes paid by new annexations. Each year the additional costs and additional revenue will be estimated as part of the budget process for the CFD.

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The Napa County Board of Supervisors, acting as a responsible agency pursuant to the California Environmental Quality Act (CEQA) and State CEQA Guidelines, Section 15096, has considered the environmental effects of the Project both in a comprehensive Environmental Impact Report (EIR) - in December 2009 - and in a subsequent Addendum (November 2013). The Federal (NEPA) aspect of this Project has also been addressed - through both documents - and has been certified by the North Bay Water Reuse Authority - of which both the County and NSD are members - and its lead agency, the Sonoma County Water Agency.

BACKGROUND AND DISCUSSION

The Milliken-Sarco-Tulocay (MST) basin has been designated as a groundwater deficient area for over 20 years. The County, in conjunction with Napa Sanitation District (NSD), has been participating in the planning and construction of recycled water pipelines to help alleviate the problem. Construction of the initial MST Recycled Water Pipeline Project was completed in 2016. The construction budget, which was the basis for the 1% State Revolving Fund (SRF) loan and the formation of Community Facilities District (CFD) 2012-1, was \$13.2 million partially offset by a 25% Water Smart grant from the Bureau of Reclamation. During the construction approximately \$5 million in additional funding (grants) was approved by the State. The initial project was completed under budget at about \$13 million. The SRF loan and the CFD Special Taxes anticipated the project debt would be approximately \$10 million (\$13.2 million total construction cost estimate minus the Water Smart grant). CFD revenue has been collected since 2014 and base special taxes have been adjusted annually based upon the lower than expected costs, grants received and additional properties that have

joined the CFD to access recycled water.

An expansion project was constructed to add the Silverado Middle School, Tulocay Cemetery and any other interested users. In June 2016, the Board authorized several actions related to the MST Recycled Water Pipeline Expansion Project including an agreement with NSD for the construction and an application for a State Revolving Fund (SRF) loan. The \$2,050,000 loan was funded through the SRF Green Project Reserve program whereby 50% of the project cost qualified for principal forgiveness. In addition, 25% of the project cost was reimbursed to NSD by a federal Water Smart grant. The last 25% was funded from cash remaining from a Prop 84 grant received by NSD. The project was completed in 2018 at a total expense of \$3.1 million.

With the project now completed, the CFD special taxes have been recalculated based on the total project costs and current debt levels. Effective this fiscal year sufficient funding is forecast to meet financial obligations of the CFD, such that no additional base special taxes are anticipated to be collected from CFD members, except for those members who owe catch up taxes based on joining the CFD late. It is expected that one final round of annexations that is in process for the coming fiscal year will result in adequate funding to fully retire the debt service once all catchup taxes have been paid no later than fiscal year 2028.

Each new property added to the recycled water system requires a physical connection. NSD has been making these connections and funding the costs using remaining grant revenues from expansion project construction. At this point NSD has used all awarded grant funds and to continue to make the physical connections for new annexations, an amendment to the Agreement with NSD is needed to reimburse NSD for the cost of connections for any final connections that are made through annexation to the CFD. That is the subject of this agenda item. Once the County determines that sufficient revenue has been committed to pay off the debt service, further annexations will cease.

The County will notify NSD after the debt service has been paid and the CFD can be terminated. At that point properties that desire to access recycled water will need to work directly with NSD and pay for the cost to connect to the recycled water system.