

NAPA BERRYESSA RESORT IMPROVEMENT DISTRICT

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July 23, 2024

Board of Supervisors
1195 Third Street, Room 310
Napa California 94559

Re: *Request for \$1,160,366 Loan Pursuant to Government Code Section 25214.4.*

Dear Members of the Board of Supervisors:

The Napa Berryessa Resort Improvement District (“District”) is a special district of the State of California organized under the Resort Improvement District Law (Public Resources Code Section 13000 et seq.) for the provision of water and sewer service in an unincorporated portion of the County of Napa (“County”), which includes Unit 1 and 2 of the Berryessa Highlands and the Oakridge Estates.

Beginning in 1995, the District’s infrastructure suffered significant deterioration due to many components reaching the end of its useful life. In response, staff initiated small-scale rehabilitation projects whenever permissible within the confines of available funding. However, many necessary repairs were beyond the District’s budgetary capacity and critical facility deficiencies resulted in enforcement action by the Regional Water Quality Control Board (“Regional Board”).

The decline of the facilities, mandates imposed by the Regional Board, and the 2020 LNU Lightning Complex Fire that destroyed over 100 homes in the community, prompted a series of requests for loans from Napa County for various repair and improvement projects between 2008 and 2023. The District currently has four active loans with Napa County: Loan No. 1 for \$869,000 which is the result of the consolidation of two smaller loans issued between 2008 and 2012 used to fund capital projects and operations and maintenance activities; Loan No. 5 for \$345,634 which is an original loan from 2022 used to supplement funding for a capital project, Loan No. 6 for \$1,000,000 which is an original loan from 2023 used to fund operations and maintenance expenses, and Loan No. 7 for \$1,625,000 from 2024 which is the result of the consolidation of Loan No.2 (originally a consolidation of three smaller loans issued between 2008 and 2012) and Loan No. 4 (an original loan from 2021 used to fund operation and maintenance).

Due to the reduction in revenue created by the loss of active customer accounts after the 2020 fire and increased expenditures caused by facility deficiencies and operations overtime to address the deficiencies, the District is expected to end Fiscal Year 2024-25 with a large deficit. Additionally, a revised budget projection completed by staff utilizing the financial model provided by the consultant that assisted the District with the 2021 Cost of Service Rate Analysis update (RDN Inc.), shows that the District can expect continued annual deficits greater than \$300,000 for the foreseeable future.

The request for Loan No. 6, from fiscal year 2022-23, indicated that District staff required time to conduct a new Median household Income survey to determine eligibility for Federal and State grants for capital projects. The survey was finalized in April 2024 and the community was determined to be disadvantaged and eligible for to apply for Drinking Water and Clean Water State Revolving Fund Programs. Eligible projects, once complete, may contribute to reduced operating and maintenance costs. The application process can take several years to complete; however, and award of the funds will require the District to balance the operations budget.

Between the anticipated annual deficits and the requirement from the State Revolving Fund to balance the operations budget, the District requires time to 1) retain RDN Inc to once again update the financial plan created for the District in 2021 in order to determine the revenue mechanism required to balance the budget in anticipation of future funding awards, and 2) proceed with applications to both the Drinking Water and Clean Water State Revolving Fund programs for the rescissory water and wastewater system improvements. To that end, the District respectfully requests that the Board of Supervisors approve the District's request to issue a new loan in the amount of \$1,160,366 pursuant to Government Code Section 25214.4. The term of the new loan shall be from the date of its execution until June 30, 2028.

We appreciate the Board of Supervisor's willingness to help the District work through the difficult problems it is currently facing.

Very truly yours,

Joelle Gallagher,
Chair of the Governing Board
Napa Berryessa Resort Improvement District