



Napa County

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Legislation Text

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TO: Members of the Governing Board

FROM: Christopher Silke, District Engineer

REPORT BY: Annamaria Martinez, Assistant Engineer

SUBJECT: Approval of letter requesting temporary loan from Napa County of \$1 million, Adoption of the Associated Loan Resolution, Authorizing the Chair to sign the Promissory Note, and Approval of a Budget Transfer to increase appropriations for Fiscal Year 2022-23

RECOMMENDATION

District Engineer requests the following actions as it relates to temporary loan of General Fund moneys to the Napa Berryessa Resort Improvement District (District) (4/5 vote required):

1. Approval of and authorization for the Chair to sign a letter requesting a temporary loan from Napa County pursuant to Government Code Section 25214.4 to provide funding for the operation of the water and wastewater facilities;
2. Adoption of a Resolution approving the loan to provide funding for the operation of the water and wastewater facilities and authorizing the Chair to sign the Promissory Note - contingent upon approval of the loan from the Napa County Board of Supervisors; and
3. Approval of a Budget Amendment appropriating \$400,000 in the Napa Berryessa Resort Improvement District Administration Budget for Fiscal Year (FY) 2022-23, by transferring a loan from the Accumulated Capital Outlay in the amount of \$1,000,000 - contingent upon approval of the loan by the Napa County Board of Supervisors.

EXECUTIVE SUMMARY

Approval of a temporary loan agreement in the amount of \$1,000,000 and the appropriation of \$400,000 of the loan proceeds in the FY 2022-23 operations budget is needed by the Napa Berryessa Resort Improvement District ("District") to cover operations and maintenance expenses for the water and wastewater facilities through June 30, 2023, with the remainder of the loan necessary to cover FY 2023-24 operations and maintenance expenses. The temporary loan is necessary due to a continued loss of revenue caused in part by the

loss of over 100 homes in the August 2020 Hennessey Fire and ongoing customer delinquencies and insufficient rates, additional unexpected operating expenses for near-term water and wastewater system repairs, and projected shortfalls in FY 2022-23. The District will repay the loan as required by Government Code Section 25214.4.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
Where is it budgeted?	The requested loan source is the Napa County General Fund.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	A recent cash flow analysis forecasts the District ending FY 2022-23 with a negative balance of approximately \$400,000 due to a reduction in revenue from customers and additional unforeseen expenses in the operations and maintenance budget. Additionally, revised budget projections (over the next five years), show a cumulative deficit of over \$500,000 by the end of FY 2023-24. The requested loan, if approved, will allow the District to pay vendors for services for the remainder of this FY and through FY 2023-24, and give District staff time to conduct a Household Income Survey within the District and/or to proceed with actions (ie rate adjustment and/or special tax, or other options) to bring the budget into balance.
Is the general fund affected?	Yes
Future fiscal impact:	The District will repay the loan as required by Government Code section 25214.4 which allows the District to avoid being required to repay the funds plus interest for three years. However, it is not anticipated that the District will have the ability to repay the loan within the statutory three year period, which will likely prompt refinancing on the loan term length until such time that a proposed rate schedule, or increase in customers, or addition of a resort, provides sufficient revenue for repayment.
Consequences if not approved:	If the District does not receive a loan from Napa County, expenses will exceed approved appropriations and the District will end the fiscal year with a negative balance. Future operations will be uncertain as the District will be unable to pay vendors for materials and services rendered until either a rate increase is approved through the Proposition 218 process, a special tax is approved by voters, or additional customers are brought online.
County Strategic Plan pillar addressed:	Effective and Open Government

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: This proposed activity is not subject to CEQA pursuant to CEQA Guidelines section 15060(c)(3) because the activity is not a project pursuant to section 15378, and because it will not result in a direct or reasonably foreseeable indirect physical change in the environment pursuant to section 15060(c)(1).

BACKGROUND AND DISCUSSION

The 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, which includes Unit 1 and 2 of the Berryessa Highlands and the Oakridge Estates.

On August 19, 2020, the Hennessey Fire (part of the 2020 LNU Lightning Complex Fire) burned through the community, destroying over 100 homes and damaging infrastructure critical to the operation of the District's water and wastewater facilities. Prior to the fire, there were approximately 330 active customers in the District; there are now 241 active user accounts.

Due to the reduction in the number of active water and sewer accounts after the fire, a high number of active water and sewer accounts missing or with delayed water sewer user charge payments, as well as increased expenditures related to equipment malfunctions and failure both seasonal and unexpected, water and sewer treatment plant process challenges, and additional overtime from the operations contractor to address these issues, the estimated budget shortfall in FY 2022-23 is approximately \$400,000. Additionally, a five-year budget projection completed by a consultant in FY 2020-21 and updated by staff in FY 2022-23, shows an accumulated deficit of over \$500,000 in the NBRID Administration budget by end of FY 2023-24.

Government Code section 25214.4 authorizes Napa County to loan funds to NBRID with a term of up to three years after the end of the fiscal year in which the loan is made, with a 4/5 vote of the Board of Supervisors. NBRID currently has four active loans from the County totaling \$2,839,634, including Loan No. 1 for \$869,000 and Loan No. 2 for \$625,000, which are the result of the consolidation of five smaller loans issued between 2008 and 2012, Loan No. 4 for \$1,000,000 which is an original loan from 2021; and Loan No. 5 for \$345,634 which is an original loan from 2022. The loan requested by this item would become Loan No. 6.

The best interests of the District will be served by requesting a temporary loan from the County in order to pay for District operations and maintenance costs through FY 2023-24, until such time as District staff can complete and new Household Income Study to determine eligibility for Federal and State grant programs to fund infrastructure projects that will address system deficiencies contributing to unexpected expenses, and/or staff can proceed with actions (ie rate adjustment and/or special tax or other) to bring the budget into balance.

The District Engineer therefore recommends that the Board send the attached letter to the Board of Supervisors

requesting a loan of \$1,000,000 pursuant to Government Code section 25214.4. Approval of the loan by Napa County, and the associated requested budget transfer by the Governing Board contingent upon approval by the County to increase appropriations by \$400,000 in the FY 2022-23 budget is necessary to continue operations through FY 2023-24.