



Napa County

1195 THIRD STREET
SUITE 310
NAPA, CA 94559
www.napacounty.gov

Main: (707) 253-4580

Legislation Text

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TO: Members of the Governing Board

FROM: Richard Thomasser - Deputy Director, Flood Control and Water Resources Napa
Berryessa Resort Improvement District

REPORT BY: Sarah Geiss - Staff Services Analyst I

SUBJECT: Approval for a \$625,000 Loan Renewal from Napa County

RECOMMENDATION

District Engineer requests the following actions regarding a loan renewal for \$625,000 from Napa County:

1. Adoption of a resolution to validate the loan renewal request and approve the issuance of a promissory note;
2. Authorization for the Chair and Clerk of the Governing Board to sign a promissory note for \$625,000 payable to the Napa County General Fund by June 30, 2024; and
3. Authorization for the Chair to sign a letter requesting the loan renewal from the Napa County Board of Supervisors.

EXECUTIVE SUMMARY

The Napa Berryessa Resort Improvement District is requesting the approval of a loan renewal for \$625,000 from Napa County for the term of three years ending on June 30, 2024 in order to repay an \$625,000 loan that was received from Napa County on April 10, 2018.

FISCAL & STRATEGIC PLAN IMPACT

| | |
|-----------------------------------|---|
| Is there a Fiscal Impact? | Yes |
| Is it currently budgeted? | Yes |
| Where is it budgeted? | Napa Berryessa Resort Improvement District |
| Is it Mandatory or Discretionary? | Discretionary |
| Discretionary Justification: | The District may request a loan from Napa County pursuant to Government Code Section 25214.4. The loan for \$625,000 is made up of a \$205,000 loan that was issued on May 10, 2011 pursuant to Government Code Section 23010, a \$325,000 loan |

that was issued on June 5, 2012 pursuant to Government Code Section 25214.4, and a \$95,000 loan that was issued on September 11, 2012. The loan is proposed to be repaid pursuant to Government Code Section 25214.4 establishing a new three year term. The District is not in a position to repay the loans at this time.

Is the general fund affected?

Yes

Future fiscal impact:

The District will repay the loan within three years, as required by Government Code Section 25214.4.

Consequences if not approved:

If the District does not request the loan renewal, the payment for the third term of the loan issued on June 30, 2018 and due on June 30, 2021 must be paid from its operating fund balance causing the District's inability to pay for other critical operating expenses.

County Strategic Plan pillar addressed:

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Additional Information:

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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

The Napa Berryessa Resort Improvement District ("District") is a special district of the State of California organized in 1965 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.

Beginning in 1995, the District's infrastructure suffered significant deterioration due to many components reaching the end of their 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 negative action by the Regional Water Quality Control Board ("Regional Board").

The decline of the facility and the mandates imposed by the Regional Board prompted a series of requests for loans from Napa County for various repair and improvement projects between 2008 and 2013. The District currently has three active loans from the County totaling \$2,594,000. Loan No. 1 for \$869,000 and Loan No. 2 for \$625,000 are the result of the consolidation of five smaller loans issued between 2008 and 2012, and Loan No. 3 for \$1,100,000 is an original loan from 2013. Additional information regarding each loan follows:

Loan No. 1 - On May 7, 2013 two loans were consolidated for a principal amount of \$869,000 and issued for a three-year term. This loan was repaid in FY2015-16 and renewed for a second three-year term on June 14, 2016. Loan No. 1 incorporates the following original loans:

- a. On October 14, 2008 a loan for \$474,000 was received to pay HydroScience Engineers. It was the District's intent to sell bonds and repay the County immediately thereafter.
- b. On June 29, 2010 a loan for \$395,000 was received to cover shortfalls in the FY2009-10 operating budget and for District improvements.

Loan No. 2 - On October 6, 2015 three loans were consolidated for a principal amount of \$625,000 and issued for a three-year term. This loan was repaid in FY2017-18 and renewed for a second three-year term on April 10, 2018. Loan No. 2 incorporates the following original loans:

- a. On May 10, 2011 a loan for \$205,000 was received to pay for non-budgeted County costs, including engineering, accounting, Auditor's Office, legal and County Executive Office expenses that were needed for the day-to-day operations of the District.
- b. On June 5, 2012 a loan for \$325,000 was received to pay for legal expenses that exceeded the amount budgeted for the Administrative Civil Liability (ACL) Complaint R5-2011-0590 issued by the Regional Board for wastewater discharge violations that occurred in FY2010-11; professional services expenses related to the contract with Western Water Constructors; and emergency repairs to the District's water distribution system. \$45,000 of this loan was sourced from the County Accumulated Capital Outlay Fund.
- c. On September 11, 2012 a loan for \$95,000 was received to pay for the ACL Complaint R5-2011-0590 settlement which was not budgeted in FY2012-13.

Loan No. 3 - On June 18, 2013 a loan for \$1,100,000 was received to satisfy the United States Department of Agriculture reserve requirements for two capital improvement loans issued to the District. Special Assessment District 2012-01 was created to finance this loan and annual payments are facilitated by the Auditor-Controller's Office. This loan is scheduled to be paid in full by 2023.

District residents have approved several rate increases since 2007 and established special assessments in 2012 to cover the costs of numerous repairs, but these actions have not allowed the District to build enough budgetary reserves to repay certain loans. Currently, the District is unable to satisfy the payment for the second term of Loan No. 2 for \$625,000, which is coming due June 30, 2021. Thus, the District respectfully asks for the following:

1. The adoption of Resolution No. 2021-XX to validate the request to the Napa County Board of Supervisors to renew Loan No. 2 for \$625,000, pursuant to Government Code Section 25214.4, for a third, three-year term ending on June 30, 2024, which will enable the District to satisfy the payment owed for the second term of Loan No. 2.
2. Authorization for the Chair and Clerk of the Governing Board to sign a promissory note for \$625,000 payable to Napa County by June 30, 2024; and
3. Authorization for the Chair to sign a letter requesting the loan renewal from the Napa County Board of Supervisors.

District Staff is in the process of conducting an in-depth evaluation of the current rate structure to determine a viable solution for permanent loan repayment and will return to the Board in July with a report.

SUPPORTING DOCUMENTS

None

District Engineer Recommendation: Approve