



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: Budget Transfer from USDA Loan CIP Reserves for Small Asset Renewal at the Water and Wastewater Treatment Facilities

RECOMMENDATION

District Engineer requests the approval of a Budget Transfer for the following (4/5 vote required):

1. Increase appropriations by \$135,000 in the NBRID Fund 5240, Organization 5240500, Project 16022 (USDA Bond-Wastewater Depr Rsv) with use of its available fund balance:
2. Increase appropriations by \$75,000 in NBRID Fund 5240, Organization 5240500, Project 16023 (USDA Bond-Water Depr Rsv) with use of its available fund balance:
3. Increase appropriations by \$135,000 in the Project 21071 (USDA Res WWTP) budget (Fund 5240, Organization 5240500) offset by an increase in revenue from the transfer-in from the NBRID Project 16022 budget; and
4. Increase appropriations by \$75,000 in the Project 21072 (USDA Res WTP) budget (Fund 5240, Organization 5240500) offset by an increase in revenue from the transfer-in from the NBRID Project 16023 budget.

EXECUTIVE SUMMARY

District residents voted to approve Assessment District 2012-01 on July 10, 2012, to repay sewer/wastewater and water loans from the United States Department of Agriculture (USDA) used to fund two major utility improvement projects - Wastewater Storage Capacity Upgrades / Treatment Plant Replacement Project and Water Treatment Plant Replacement Project.

In accordance with the loan agreements for the two USDA loans, starting in Fiscal Year 2015-16 NBRID is required to deposit a sum of \$58,966 and \$53,067 into a designated sewer and water loan depreciation reserve fund annually for 10 years. The District can use the funds included in the depreciation funds for “timely

replacement of short-lived assets” associated with the 2011 USDA project

District staff has identified five additional projects for Fiscal Year 22-23 (three for wastewater and two for water) that qualify as short-lived assets for the two USDA projects. A budget transfer for the projects from their respective designated USDA depreciation fund is requested to fund the replacement/rehabilitation of these assets.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	USDA Loan Depreciation Reserves for Wastewater and Water
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	USDA Loan Depreciation Reserves are set aside each year for the replacement of short-lived assets associated with USDA Wastewater and Water loans. Five projects (three wastewater and two water) have been identified that meet the criteria for use of the USDA depreciation reserves.
Is the general fund affected?	No
Future fiscal impact:	Completion of the projects may continue into Fiscal Year 23-24.
Consequences if not approved:	The projects are necessary to maintain operation of wastewater and water infrastructure. If USDA depreciation reserves are not approved to fund these projects, the District has no other funding source available to maintain operations should these critical small assets associated with the USDA loans run to failure.
County Strategic Plan pillar addressed:	Effective and Open Government

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 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.

District residents voted to approve Assessment District 2012-01 on July 10, 2012, to repay sewer/wastewater and water loans from the United States Department of Agriculture (USDA) used to fund two major improvement projects - the Wastewater Storage Capacity Upgrades / Treatment Plant Replacement Project and the Water Treatment Plant Replacement Project. The District issued Series A Bonds (Wastewater System Improvements) in the principal amount of \$7,959,872 for the wastewater facilities and Series B Bonds (Water System Improvements) in the principal amount of \$2,923,728 for the water facilities. The combined total of the

USDA loan principal amount is \$10,883,600.

In accordance with the loan agreements for the two USDA loans, NBRID is required to deposit \$58,966 and \$53,067, respectively into designated sewer and water loan depreciation reserve funds annually for up to 10 years - these deposits began in Fiscal Year 2015-16. As indicated in the closing documents for the loans, the District can use the depreciation reserve funds for “timely replacement of short-lived assets” associated with the projects funded by the two USDA loans.

In Fiscal Year 20-21, Project 21071 was created with an initial budget of \$40,000 to address four short-lived asset replacement/rehabilitation projects for the wastewater treatment plant, and Project 21072 with an initial budget of \$20,000 was created to address one short-lived asset replacement/rehabilitation project for the water treatment plant.

The sewer projects listed for Project 21071 - replacement of two components for the STORMBLOX treatment unit and rehabilitation of the sludge handling facility - are still in progress due to supply shortages. The water project listed for Project 21072 - rehabilitation of the blower system for the water plant filter units- is complete and under budget by approximately \$15,000 due to only requiring replacement of one blower with no additional component replacement as initially expected. District staff anticipates that this remaining balance can be used to supplement the funding request for the two Water projects proposed below to reduce the amount of water reserves requested in the budget transfer.

Facilities constructed as part of Assessment District 2012-01 have reached 10 years in age. District staff has identified six additional projects installed during project creation that satisfy the criteria for use of the USDA depreciation reserves:

- A. Replacement of the membrane cassettes used for sewer treatment ~ \$70,000 (Sewer)
- B. Replacement of two permeate pumps used for sewer treatment ~\$20,000 (Sewer)
- C. Replacement of pumps and appurtenances used in the influent and overflow basins ~\$45,000 (Sewer)
- D. Installation of Variable Frequency Drives (VFDs) at the water treatment plant intake ~ \$45,000 (Water)
- E. Restoration/rehabilitation of both steel filter tanks used for water treatment ~ \$45,000 (Water)

Projects A, B, and C require a budget transfer in the amount of \$135,000 from USDA sewer reserves to Project 21071, and Projects D and E require a budget transfer of \$75,000 from USDA water reserves to Project 21072 to meet the funding requirement for the water projects when the remaining balance of \$15,000 in Project 21072 is taken into account.

Approximate reserve funds currently available as of June 30, 2022 in Projects 16022 (Sewer) and 16023 (Water) are \$388,000 and \$365,000 respectively. If the budget transfers from the USDA depreciation reserve accounts are approved today, the estimate of the balances in these accounts, not including interest accrued, for June 30, 2023, are \$312,000 and \$343,000 respectively for future short lived asset replacement for the USDA funded facilities.