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Napa County

Legislation Text

File #: 23-1003, **Version:** 1

TO: Board of Supervisors

FROM: David Morrison, Interim County Executive Officer

REPORT BY: Becky Craig, Assistant County Executive Officer

SUBJECT: Approval of issuance of temporary loan to Napa Berryessa Resort Improvement District

RECOMMENDATION

Interim County Executive Officer requests the following actions regarding a loan to the Napa Berryessa Resort Improvement District (District) (4/5 vote required):

1. Adoption of a Resolution granting a loan in the amount of $1,000,000 to the District and approving issuance of a note to borrow funds from the County of Napa for the purpose of providing supplemental funding of ongoing operations of the District's facilities and authorizing the Chair and Clerk of the Board to sign the note; and

2. Approval of a Budget Amendment increasing appropriations in Accumulated Capital Outlay from available fund balance to fund a loan to the District's Administration budget.

EXECUTIVE SUMMARY

Napa Berryessa Resort Improvement District (District) is requesting approval of a temporary loan agreement by the County for $1,000,000 pursuant to Government Code Section 25214.4. The loan is needed to fund ongoing operations of the District's facilities and is proposed to be repaid pursuant to Government Code Section 25214.4 within the required three (3) year term.

FISCAL & STRATEGIC PLAN IMPACT

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

Where is it budgeted?	The loan will be from the Appropriation of Contingency in the General Fund to the District.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The District lost over 100 homes in the Hennessey Fire in August 2020 contributing to nearly $200,000 in lost revenue annually from the closed user accounts. In addition, active customer delinquencies have increased, and unforeseen expenses in the operations and maintenance budgets have been required to address system deficiencies. Together this will cause the District to end the Fiscal Year with a negative balance if the loan is not approved. Near term budget projections show a cumulative deficit of over $500,000 by the end of Fiscal Year 2023-24.
Is the general fund affected?	Yes
Future fiscal impact:	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 until such time as revenue can be increased (ie through rates, special taxes, or other), the addition of a new resort at the Steele Canyon Recreation Area is confirmed, or funding to address capital infrastructure projects can be secured that will lower operating expenses.
Consequences if not approved:	If the District does not receive the loan, expenses will exceed revenue 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 revenue can be increased sufficiently to balance the budget.
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

Napa Berryessa Resort Improvement District (NBRID) 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. Over the years, NBRID suffered deterioration of its infrastructure, which resulted in negative action by the Regional Water Quality Control Board ("Regional Board") mandating repair and replacement of its facilities. While a major capital project was completed between 2011 - 2014, deficiencies still exist, and the loss of nearly $200,000 in revenue annually as a result of the destruction of over 100 homes in the August 2020 Hennessey Fire, high active customer delinquencies, and unanticipated water and wastewater operator related to system deficiencies has increases a deficit in the Operations and Maintenance budget.

Since 2008, the County has approved a total eight loans to the District from the General Fund, totaling $3,939,634, some of which were later consolidated. As of today, the balance remaining due is $2,839,634. A listing of the loans is as follows:

A. On October 14, 2008, a loan in the amount of $474,000. The $474,000 loan was used to pay HydroScience Engineers. It was the District's intent to sell bonds and repay the County immediately, as at the time, a resort development to replace the recently closed Steele Park Resort was anticipated soon thereafter; however, the expected resort development plan was abandoned, as was the assessment that was to be used to sell bonds to fund major facility improvements.

B. On June 29, 2010, a loan in the amount of $395,000. The $395,000 loan was used to cover shortfalls in the FY 09-10 operating budget and for District improvements.

C. On May 3, 2011, a loan in the amount of $205,000. The $205,000 loan was used for non-budgeted County costs that included engineering, accounting, Auditor's Office, legal and County Executive Office expenses that were needed for the day-to-day operations of the district.

D. On June 5, 2012, a loan in the amount of $325,000. The $325,000 loan was comprised of $280,000 from the General Fund and $45,000 from the ACO and was used for legal expenses that exceeded the amount budgeted as a result of the ACL Complaint R5-2011-0590 issued by the Regional Board for wastewater discharge violations that occurred in FY 10-11; professional services expenses related to the contract with Western Water Constructors; and emergency repairs to the District’s water distribution system.

E. On September 11, 2012, the District received a loan in the amount of $95,000. The $95,000 loan was used to cover payment of an Administrative Civil Liability (ACL) in the amount of $95,000 included in a stipulated order issued by the Regional Board which settles Administrative Civil Liability Complaint R5-2011-0590. The loan was necessary because the fine was not included in the District's FY 12-13 budget and there were not sufficient appropriations to make the payment.

F. 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 was paid off in Fiscal Year 2022 and has an outstanding balance of $0 as of June 30, 2022.

G. On May 18, 2021, a loan for $1,000,000 was received from the County for the express purpose of covering a projected accumulated operations budget deficit of over $600,000, including minor equipment repair/replacement, through Fiscal Year 2023-24. The loan was requested after over 100 homes were destroyed in the August 2020 Hennessey Fire, substantially reducing the District's revenue.

H. On October 14, 2022, a loan in the amount of $345,634 was received to fund the Wastewater Pond No. 2 Site Slope Stabilization Project, NB 22-01. The project was necessary to repair the damaged slope of treated wastewater Pond No 2 and the loan was necessary to complete the project without depleting available fund balance necessary for the operations and maintenance budget.

In an effort to simplify loan administration, the loans under A and B above were consolidated into Loan No. 1 on May 7, 2013, the loans under C, D, and E were consolidated into Loan No. 2 on October 6, 2015, the loan under F is now referred to as Loan No. 3 and was paid off as of June 30, 2022, the loan under G is now referred to as Loan No 4, and the loan under H is now referred to as Loan No 5.

Approval of an additional temporary loan agreement (Loan No 6) is necessary to assist the District with operations and maintenance expenses through FY 2023-24. In the meantime, District staff will work towards the completion of a 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 will return to the District's Governing Board within the next two months to present options to bring the District's budget into balance (i.e. rate adjustment and/or special tax or other options to be determined).