



# Napa County

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## Legislation Text

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File #: 22-910, Version: 1

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**TO:** Board of Supervisors

**FROM:** Minh C. Tran - County Executive Officer

**REPORT BY:** Helene Franchi - Deputy County Executive Officer

**SUBJECT:** Approval of the reissuance of temporary loan funds in the amount of \$869,000 to the Napa Berryessa Resort Improvement District

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### **RECOMMENDATION**

County Executive Officer requests adoption of a Resolution requesting a loan in the amount of \$869,000 to the Napa Berryessa Resort Improvement District (District) from the County and approving issuance of a note to borrow funds from the County of Napa for the purpose of extending the term and repayment, and authorizing the Chair and Clerk of the Board to sign the note, in order to fund ongoing operations of the District facilities.

### **EXECUTIVE SUMMARY**

Napa Berryessa Resort Improvement District (NBRID) is requesting approval of a temporary loan agreement by the County to repay and reissue an \$869,000 loan pursuant to Government Code Section 25214.4. The \$869,000 loan is a consolidation of two prior loans originally needed to cover capital and operations and maintenance budget deficits in FY 2008-09 and 2009-2010. The consolidated loan is proposed to be repaid pursuant to Government Code Section 25214.4 within the next three (3) years.

### **FISCAL & STRATEGIC PLAN IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	General Fund
Is it Mandatory or Discretionary?	Discretionary

Discretionary Justification:	Pursuant to Government Code Section 25214.4, the Board of Supervisors may loan any available funds of the county to a county service area to pay for any lawful expenses of the county service area
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.
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 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 the deficient critical facilities resulted in negative action by the Regional Water Quality Control Board ("Regional Board").

The decline of the facilities 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 four active loans from the County totaling \$3,594,000.

Further description of each loan is as follows:

Loan No. 1 - On May 7, 2013 two loans were consolidated into a principal amount of \$869,000 and issued for a three-year term. This loan has been repaid and renewed for three, three-year cycles, with the third renewal occurring on June 4, 2019. Loan No. 1 incorporates the following original loans:

1. 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.
2. 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 FY2020-21 and renewed for a third three-year term on May 04, 2021, and is now scheduled to be paid in full by June 30, 2024. Loan No. 2 incorporates the following original loans:

1. 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.
2. 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.
3. 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.

Loan No. 4 - On May 18, 2021 a loan for \$1,000,000 was received to cover projected three-year shortfall in the District's operating budget. The shortfalls were projected using budget models prepared for the District by Robert D. Neihaus, Inc., the consultant retained to complete a five year rate analysis for the District. This loan is scheduled to be paid in full by June 30, 2024.

District residents have approved several rate increases since 2007, most recently in November 2021, 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 third term of Loan No. 1 for \$869,000, which is coming due June 30, 2022. Thus, the District respectfully asks Napa County to renew Loan No. 1, pursuant to Government Code Section 25214.4, for a fourth, three-year term ending on June 30, 2025 for the purposes of enabling the District to satisfy the payment owed for the second term of Loan No. 1.