



## Staff Report

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### Yountville Town Council Staff Report

**DATE:** October 1, 2019

**TO:** Mayor and Town Council

**FROM:** Celia King, Finance Manager; Steven Rogers, Town Manager

#### **TITLE**

Consider Adoption of Resolution 19-3586 Approving Partial Prepayment of State Water Resources Control Board Loan Agreement No. 13-802-550, Project No. C-06-7846-110 in the Amount of \$1,152,031 and Resulting FY 2019/20 Budget Adjustment.

#### **DISCUSSION/BACKGROUND**

In June 2014, the Town of Yountville obtained a low-interest loan from the State Water Resources Control Board (SWRCB) for the purpose of completing improvements to the wastewater treatment system. By agreement, the Veterans Home of California contributes an equal share of the costs of these improvements. The California Department of Veterans Affairs had not determined if they desired to make a payment in full or participate in the debt financing and make annual debt payments at the point in time the Town needed to finalize the loan agreements. As such, the loan agreement amount reflected the full amount as if the Veterans Home was participating in debt financing. When the loan was then secured, the Veterans Home paid its 50% share of the project construction costs in the amount of \$1,387,936 in full, directly to the Town. This payment has been held in the Wastewater Treatment Capital Recovery Fund (63) and used over time to contribute to the annual loan principal payments to the SWRCB.

As the Town has the ability to prepay all or a portion of the outstanding principal balance of the SWRCB loan without penalty, staff recommends forwarding the remainder of the Veterans Home share to the SWRCB, rather than continuing to hold the funds and pay over time. The results of this action will be that the term of the loan will be revised to reflect a shortened amortization schedule, producing a savings in total interest paid. This savings amount is estimated to be approximately \$250,000.

The Town currently holds \$1,152,031 of the Veterans Home payment for its share of the project construction costs in a loan payable liability account in the Wastewater Treatment Capital Recovery Fund (63). The FY 2019/20 budget for this fund includes \$164,661 for the regular annual principal and interest payment due to the SWRCB in November 2019. A budget adjustment to Fund 63 in the amount of \$1,091,109 is required to allow the Town to make this payment of \$1,152,031 in order to forward the remainder of the Veterans Home contribution to the SWRCB.

#### **ENVIRONMENTAL REVIEW**

Exempt per California Environmental Act (CEQA) Guideline, Section 15061(b)(3)

#### **FISCAL IMPACT**

Is there a Fiscal Impact? Yes

Is it Currently Budgeted? No

Where is it Budgeted? N/A

Is it Mandatory or Discretionary? Discretionary

Is there a Staff Resource Impact? Nominal

### **STRATEGIC PLAN GOAL**

Is item Identified in Strategic Plan? Yes

If yes, Identify Strategic Goal and Objective. **Responsible Fiscal Policy:** The Town maintains its fiscal health through policies designed to maximize economic opportunities, manage expenses, and ensure prudent reserves.

Briefly Explain Relationship to Strategic Plan Goal and Objective. Prepayment of debt to shorten the amortization schedule generates a savings to the Wastewater Treatment Capital Recovery Fund (63), making funds available for other projects or to strengthen reserves.

### **ALTERNATIVES**

Continue to hold remainder of Veterans Home payment in Fund 63 and use annually as contribution to loan principal payments.

### **RECOMMENDATION**

Adopt Resolution 19-3586 approving partial prepayment of State Water Resources Control Board Loan Agreement No. 13-802-550, Project No. C-06-7846-110 in the amount of \$1,152,031 and resulting FY 2019/20 Budget Adjustment.