



Agenda Date: 3/16/2016
Agenda Placement: 8A

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Timothy Healy - General Manager
NS-Administration

REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000

SUBJECT: Conduct Second Reading of Ordinance to Amend District Code to Increase Sewer Service Charges, Conduct Public Hearing (Prop 218 Hearing), Determining Whether Majority Protest, and Adopt Ordinance

RECOMMENDATION

Adopt Ordinance Amending District Code Section 5.01, Sewer Service Charges by taking the following actions:

1. Conduct second reading of ordinance, by title only, and waive full reading.
2. Hold public hearing pursuant to rules for adopting ordinances and under Proposition 218.
3. Close public hearing.
4. Determine whether there is a majority protest of the fee increase, in accordance with Proposition 218.
5. If there is not a majority protest, adopt Ordinance No. 102 to revise District Code 5.01 Sewer Service Charges.

EXECUTIVE SUMMARY

Under Proposition 218, the District is required to study its revenue needs for the next five and years and calculate the sewer service charge based on that revenue need. If the calculated rates exceed the existing rates, then the District is required to hold a Public Hearing on the rates prior to taking any action.

Rate Study

Through several workshops and board discussions, the rate consultant hired by the District (NBS) presented policy options and rate impacts to the Board regarding sewer service charges. NBS completed its Rate Study based on input from those meetings, and the Board accepted the Rate Study at its January 13, 2016 meeting. The study is attached to this staff report and is incorporated by reference.

Revenue Requirements

The revenue requirements for the District for the next five years were calculated and are in Section E of the Rate Study. The revenue requirements include the operations and maintenance costs associated with sewer

maintenance and wastewater treatment and resource recovery, at current service levels, and include a provision for increasing the number of maintenance-related FTE by two. The revenue needs include funding and implementing the approved Capital Improvement Plan. The revenue requirements anticipate that the Browns Valley Road Sewer Interceptor project will be debt funded, and that there are specific debt coverage ratios, debt reserves, and other bond covenants that must be met. The revenue requirements include funding the reserve policies of the District. The revenue requirements include implementation of Inflow & Infiltration projects. They also include an increased investment in the rehabilitation and replacement of aging and deteriorating sewer infrastructure in the amount of an additional \$1.9 million annually starting in Year 4.

Rate Recommendations

Based on the cost of service and rate design analysis, it was determined that every classification of customer would be impacted by a rate increase to meet the revenue requirements. The amount charged per equivalent dwelling unit (EDU) is recommended to increase as follows to meet the revenue requirements:

	<u>Current Rate</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>
Family Dwelling / EDU	\$482.50	\$554.88	\$638.11	\$676.39	\$710.21	\$738.62
Apartments	\$289.50	\$332.93	\$382.86	\$405.84	\$426.13	\$443.17
Overnight Trailer Parking	\$196.94	\$226.48	\$260.45	\$276.08	\$289.88	\$301.48
Percentage Change	-	15%	15%	6%	5%	4%

Commercial and Industrial Rates

Commercial and industrial rates are based on formula that compare these business to Equivalent Dwelling Units. Water usage is compared to residential dwellings, while strength is determined using the State Revenue Guidelines for SRF, measured strength, or some other basis. This Rate Study does not change these formulas, nor does it change the bases for determining strength factors. The study recommends changing the "per EDU" rate. In this way, it is anticipated that commercial and industrial rates will change the same percentages as residential rates.

Public Outreach

On October 7, staff convened a meeting of stakeholders to provide input and feedback to the District regarding rates and capital project priorities. Feedback from this group of stakeholders was provided to the Board during its workshops. With the rate consultant making recommendations, staff again sought the feedback of these same stakeholders on January 6th. On January 6, the stakeholder group was reassembled to provide feedback on the rate recommendations, the draft rate study report, and the draft public information brochure that explains the rationale for the rate increase. The questions and comments received from the stakeholder group were provided to the Board on January 13, 2016.

Staff had two community-based information sessions, one on February 22, 2016 and the other on February 23, 2016. The General Manager and one Board Member met with the Chamber of Commerce's Legislative Action Committee on February 10, 2016, and the General Manager gave a presentation to the Kiwanis Club on February 25, 2016.

The Napa Valley Register has published several articles about the rate increase, and also announcing the dates and location of the information sessions. There have also been a number of Letters to the Editor regarding the rate increase, with the NV Register occasionally asking the District to respond to comments or assumptions made in the Letters.

Proposition 218 Process

Proposition 218 requires that a Notice of Public Hearing be mailed to the record owner of every parcel served by the District, stating the proposed sewer service charges, the basis upon which the charges were calculated, the reason for the charges, together with the date, time and location of the Public Hearing on the proposed charges. If a majority of owners protest the rate increase, then the Board cannot act on the increase.

The District mailed the notices with domestic addresses on January 26, 2016, and those with international addresses the week prior.

In addition to the required information in the Notice of Public Hearing, the District also explained the Prop. 218 protest process and included a "cut-out" form that any property owner could use to protest the rate increase. Also with the Notice of Public Hearing, the District included a 4-page brochure that provided information to the property owners about the rate proposal. A copy of the Notice of Public Hearing and the brochure are attached to this staff report.

The Prop. 218 Public Hearing will be on March 16, 2016 starting at 6:00pm at the Napa Valley Unified School District Board Room, 2425 Jefferson Street, Napa. If after the public hearing it is determined that there is not a majority protest, then the Board may continue its deliberations on the fee proposal.

Recommended Action

Staff recommends the Board take the following action:

1. Conduct second reading of ordinance, by title only, and waive full reading.
2. Hold public hearing pursuant to rules for adopting ordinances and under Proposition 218.
3. Close public hearing.
4. Determine whether there is a majority protest of the fee increase, in accordance with Proposition 218.
5. If there is not a majority protest, adopt Ordinance No. 102 to revise District Code 5.01 Sewer Service Charges.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Sewer service charges are collected annually or invoiced monthly to pay for the conveyance, treatment, disposal and beneficial reuse of wastewater.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The District has determined that the revenue of the District to complete its stated goals and objectives for the next five years necessitates the setting of sewer service charges as stated in the staff report and the attached ordinance.
Is the general fund affected?	Yes
Future fiscal impact:	This action will set the maximum amount that sewer service charges can be assessed for the next five years.
Consequences if not approved:	If the fee is not increased, there will be inadequate revenues to pay for future capital projects and operational costs. Without this action, the Board will have to decrease the size of the capital program, decrease operating expenses, or both.
Additional Information:	None.

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

This item is specifically exempt from the voting requirements of Article XIIC of the California Constitution (Proposition 26) because it is an assessment or property related fee imposed in accordance with the provisions of Article XIID (Proposition 218).

SUPPORTING DOCUMENTS

- A . Presentation
- B . Ordinance 102 - Redline Version
- C . Ordinance 102 - Clean Version
- D . Rate Study
- E . Notice of Public Hearing
- F . Rate Brochure

Napa Sanitation District: Approve

Reviewed By: Timothy Healy