



Agenda Date: 3/21/2018

Agenda Placement: 8A

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Administration

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

SUBJECT: Receive Update from Staff on Sewer Service Charges and Capacity Fee Methodology Study

RECOMMENDATION

Receive update on the residential sewer service charge methodology and capacity fee study.

EXECUTIVE SUMMARY

NapaSan has hired Carollo Engineers, Inc. to evaluate a number of technical and policy questions regarding residential sewer service charges and capacity charges. Those questions include:

- | Are the rates set during the last Proposition 216 process still adequate and appropriate to meet the identified revenue needs?
- | Are Costs of Service adequately allocated between residential, commercial and industrial customers? Should costs be classified and allocated based on fixed costs vs. variable costs?
- | Are the residential classifications (SFR, duplex, condos, apartments, etc.) appropriately weighted, based on estimated water usage?
- | What are the pros, cons and implications associated with different billing procedures, such as property tax assessments vs. direct invoicing, monthly or bimonthly vs. annual billing, and fixed vs. variable cost components?
- | Are capacity charges being calculated accurately, given recent and planned capital expenditures?

Carollo and NapaSan staff will present a series of Technical Memoranda to the Board that address these questions. After direction from the Board, Carollo will complete its report with a series of recommendations and analysis regarding the financial and other impacts of those recommendations.

The presentation at this meeting will focus on whether the rates as proposed in 2016 are still adequate to meet revenue needs (TM #2 "Financial Plan Review and Forecast"), and an evaluation of the costs of service and fixed

vs. variable costs (TM #3 "Cost of Service Analysis and Results").

FISCAL IMPACT

Is there a Fiscal Impact? No

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

In the NapaSan Strategic Plan adopted by the Board in May 2017, the Board directed staff to conduct this study:

Goal 2 - FINANCIAL STABILITY

Objective 2A - Conduct study of sewer service charge and capacity charge methodologies for residential customers and development, and make recommendations for Board consideration.

SUPPORTING DOCUMENTS

- A . Draft TM #2 - Financial Plan Review and Forecast
- B . Draft TM #3 - Cost of Service Analysis and Results

Napa Sanitation District: Approve

Reviewed By: Jeff Tucker