



NAPA SANITATION DISTRICT SEWER RATE PROPOSAL

PROPOSITION 218 HEARING

MARCH 16, 2016





OVERVIEW

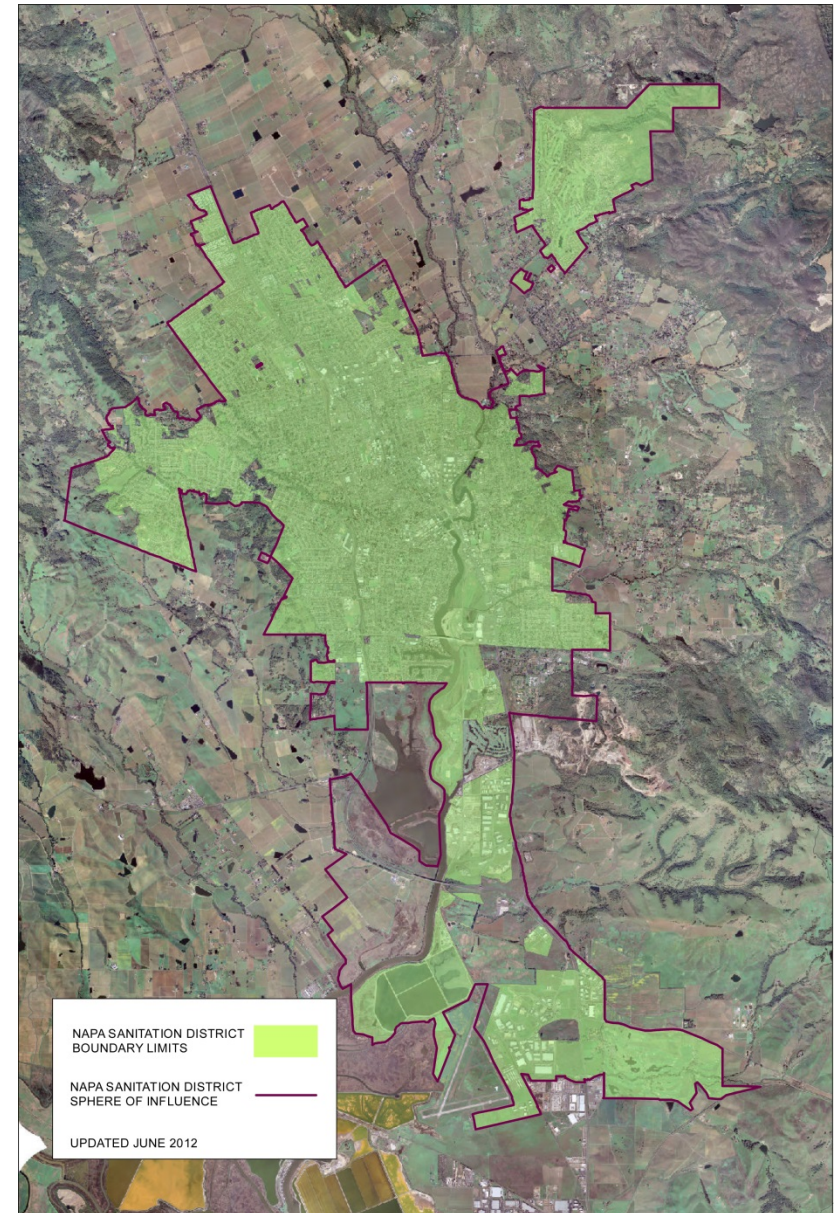
The mission of NSD is to collect, treat, dispose and/or beneficially reuse wastewater in an effective and fiscally responsible manner.



The District serves over 82,700 customers.

NSD treats an average of *8.5 million gallons* of wastewater each day.

- 270 miles of main line
- 147 miles of sewer laterals
- 25,000+ laterals



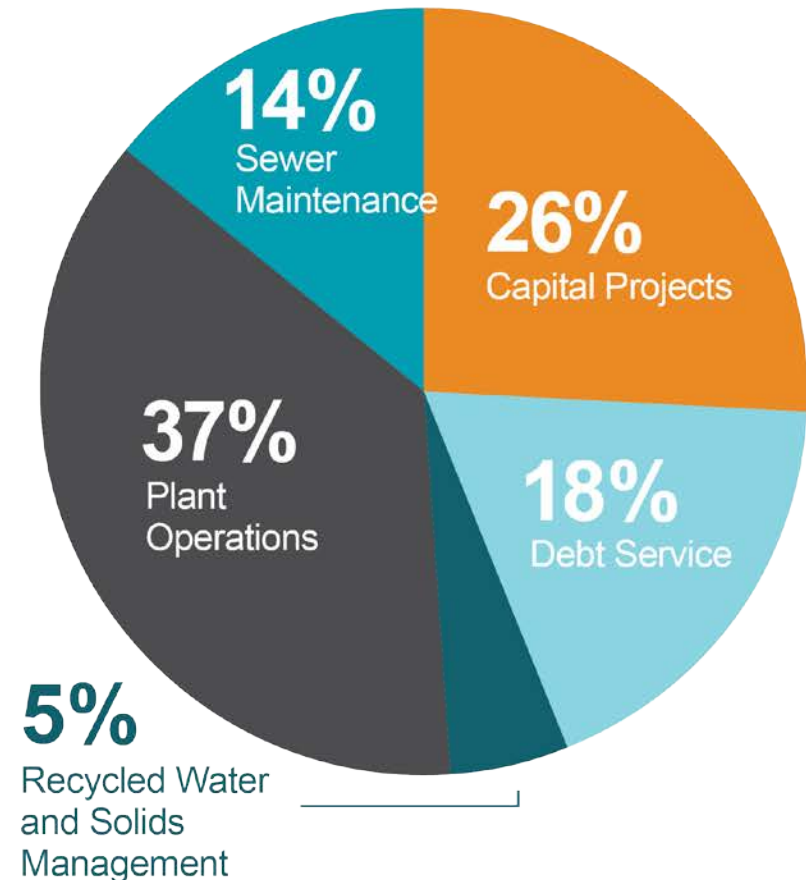
The sewer is community owned.

- District is non-profit public agency
- Cost covered with fees for services
- No property tax revenue
- No city or county revenue
- Not an “add-on” like bonds
- No monthly billing for homeowners



Revenue pays for projects and services directly related to wastewater.

- **Plant Operations**
treating wastewater
- **Capital Projects**
renovating and replacing existing equipment to help prevent overflows and provide capacity for future development
- **Debt Service**
paying interest and principle on debt
- **Sewer Maintenance**
maintaining and rehabilitating sewer system
- **Recycled Water and Solids Management**
recovering reusable resources





10 YEARS OF IMPROVEMENTS

The 2006 plan provided for system stability.

- **2006-2009 increases were after 10 years of no fee increases.**
- **Increase allowed NSD to begin systematic replacement of aging infrastructure.**
- **Replace almost 1% of sewers annually**

NSD completed projects promised in 2006.

- ✓ *New Influent Pump Station (IPS)*
- ✓ *FOG Receiving Station*
- ✓ *Dissolved Air Flotation (DAF) Clarifier*
- ✓ *Pond Aeration*
- ✓ *Basin L Sewer I&I Projects*
- ✓ *North Napa Siphon replaced 2 pump stations*
- ✓ *Stonecrest Pump Station Replacement*



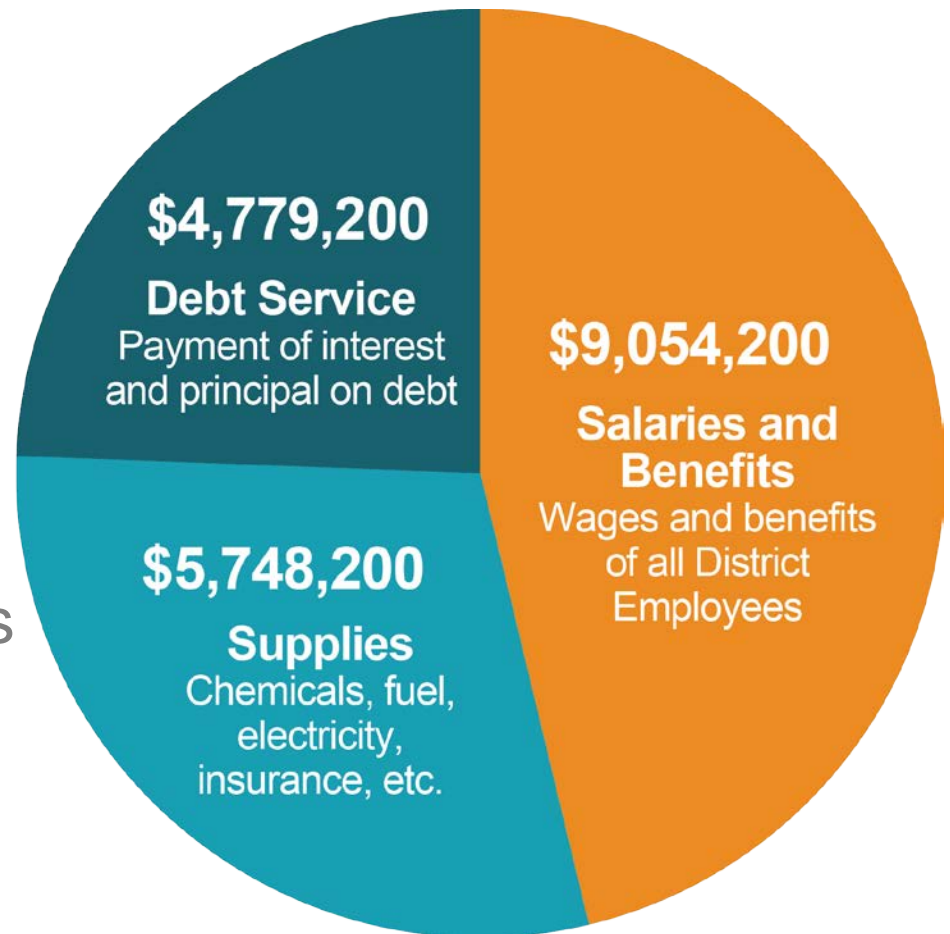


MANAGING COSTS

The District is keeping operating expenses low.

Average annual operating expenses have increase by only 1.56%—lower than the rate of inflation.

CPI during the last 5 years
Was 2.6%.



The District is reducing operating costs.

- **Stationary Storage Batteries** - Saves \$70,000/year
- **FOG Receiving Station** - NSD can now generate 40% of its own electricity - saves approx. \$200,000/year



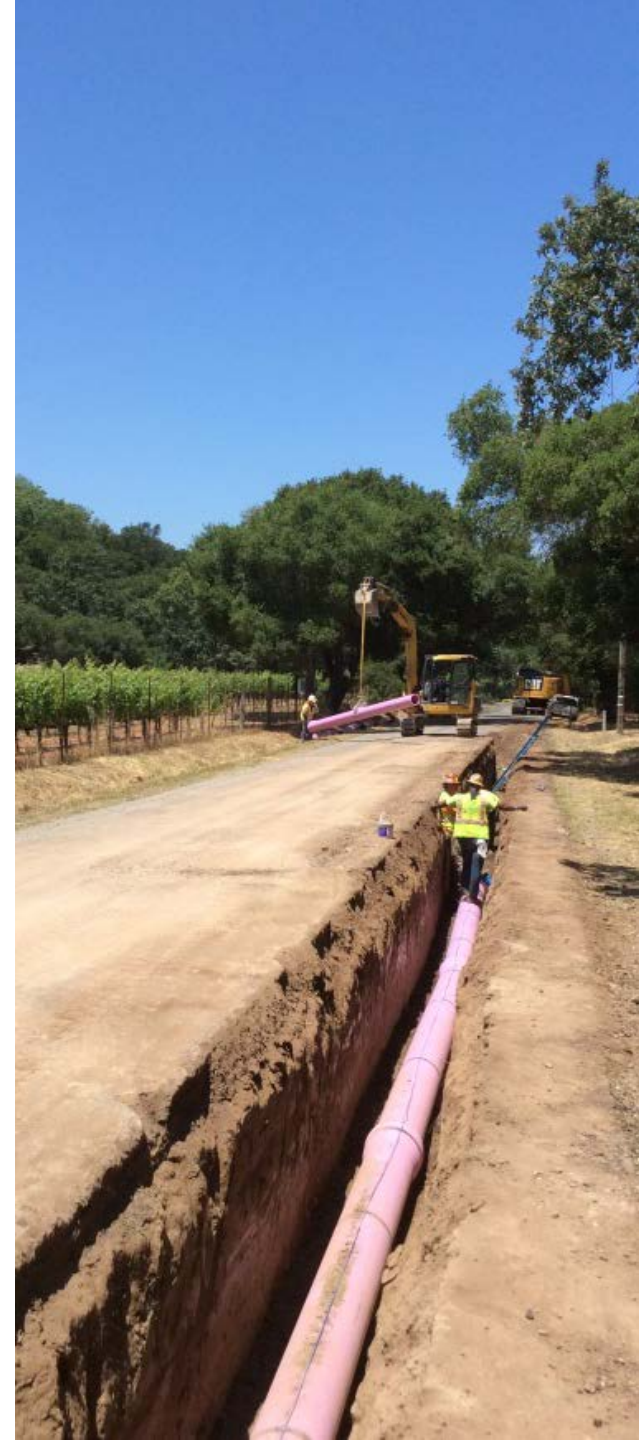
The District is reducing operating costs.

- **Dissolved Air Flotation Clarifier (DAF)** - Lowers costs by \$100,000/year
- **Solar Array** - Will save \$2 million over 25 years
- **Reduction in employee benefits** - Significant savings for NSD (over \$300,000/year)
- **In-House Lateral Lining** – Rehabilitates 4X as many sewer laterals at the same price as before



The District is leveraging funding to distribute recycled water.

- Recycled water rates pay for recycled water expenses
- MST and LCWD recycled water pipeline expansions
- \$23.5 million in State and Federal grants
- 1% interest State loans
- Remainder paid by recycled water users



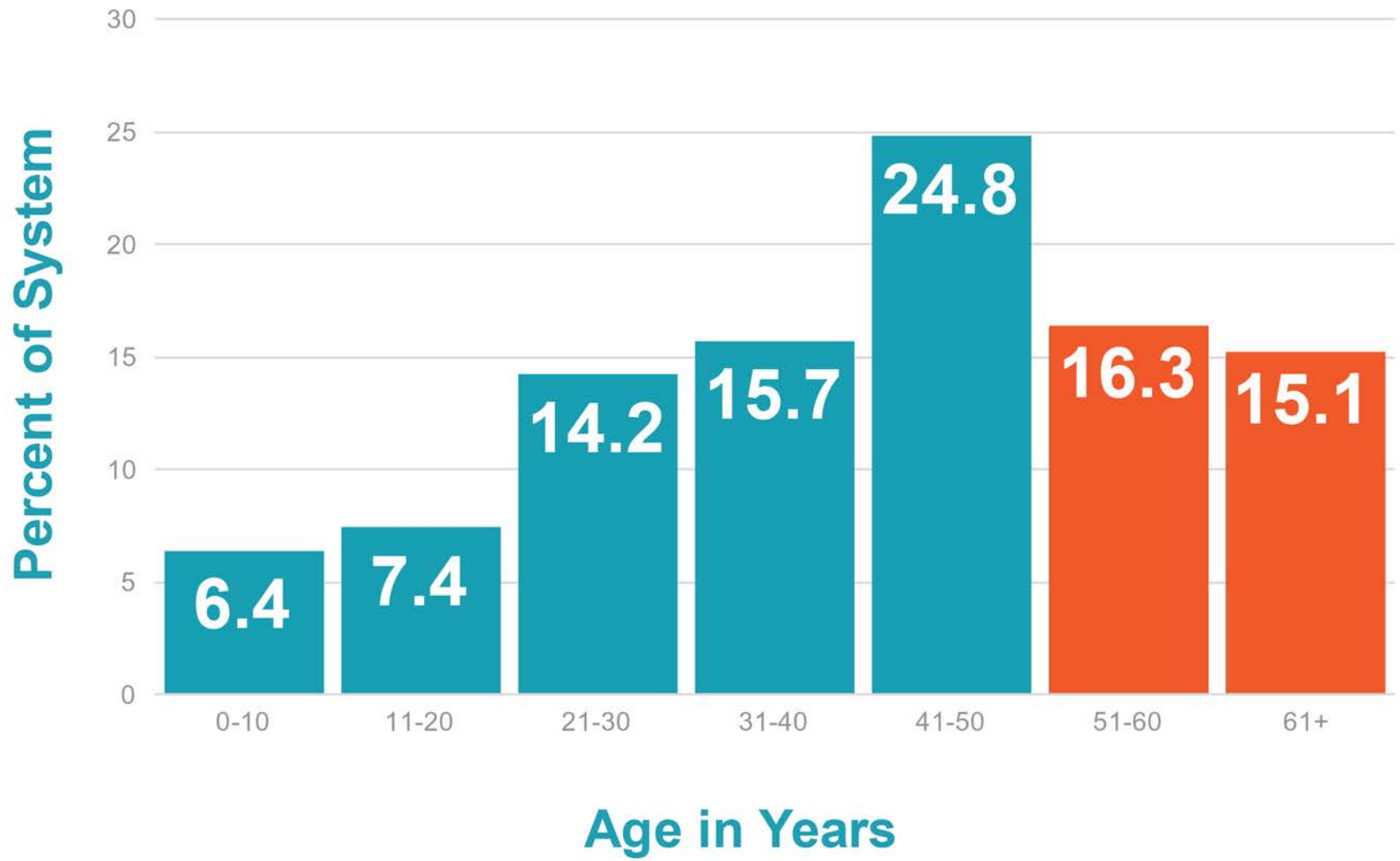


AGING INFRASTRUCTURE

**Napa's sewer system
is aging.**

**Nearly one-third of the
pipes are over 50 years old.**





Aging systems require more maintenance.

Aging pipes must be replaced to reduce risk of sewer collapses and overflows.



Stock photo. Not in Napa County.

Emergency repairs cost 10 times as much as planned rehabilitation.

Pipes must be replaced to maintain service.

Planned
Rehabilitation

\$5,000

Emergency
Repairs

\$50,000



REGULATORY ENVIRONMENT

NSD must operate within its NPDES permit constraints.

- NSD operates under the Clean Water Act.
- Not allowed to overflow (must correct known problems).
- Often must implement new technologies for better treatment.
- Lack of investment can lead to violations of NPDES permit, which can lead to compliance orders, fines and third-party lawsuits.

NSD is regulated by many agencies.

- Environmental Protection Agency
 - *Clean Water Act enforcement, pre-treatment, pollution prevention, copper & mercury, biosolids management, CECs*
- State Water Resources Control Board & Regional Water Quality Control Board – SF Bay Region
 - *NPDES permit, local limits, compliance reporting*
- Bay Area Air Quality Management District
 - *Cogeneration engine, backup generators, odors*
- Department of Water Resources
 - *Recycled water*



PLANNED INVESTMENTS

The proposal builds on the success of the 2006 plan.

- Still investing in plant equipment renewal & replacement.
- Still investing in sewer rehabilitation – the 1% established 10 years ago continues.

Targeted investments will reduce the need for costly repairs in the future

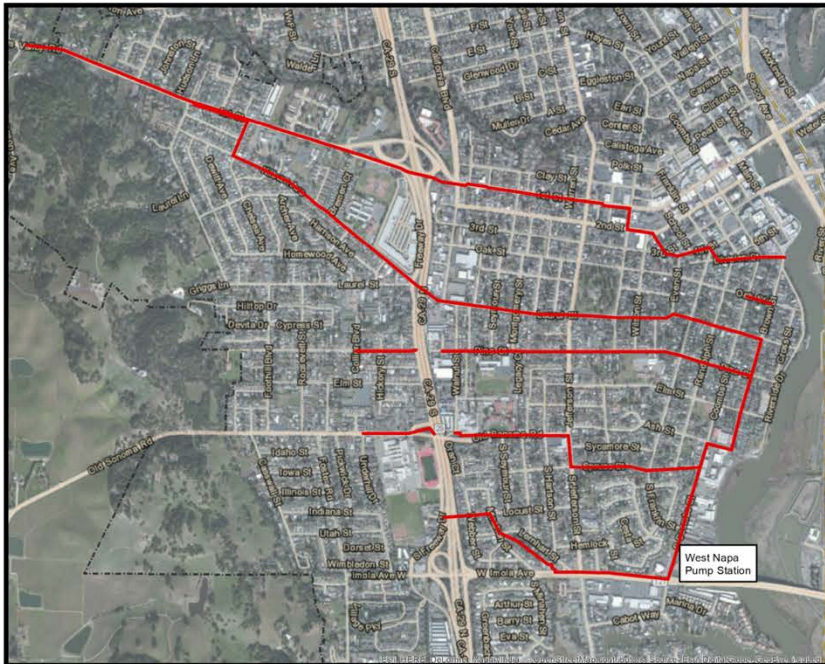
- \$136 million 10-year CIP
- Browns Valley Road Sewer Interceptor (~ \$15-20 million)
- Inflow & Infiltration Sewer Projects (~ 1% / \$3 million annually)
- Old and Failing Sewer Replacement (~ 1% / \$3 million annually, starting Year 4)

Browns Valley Road Sewer Interceptor

- Divert flow from downtown pipes that typically overflow from storm events
- Stop untreated sewage from getting into storm drains
- Protect creeks and the river

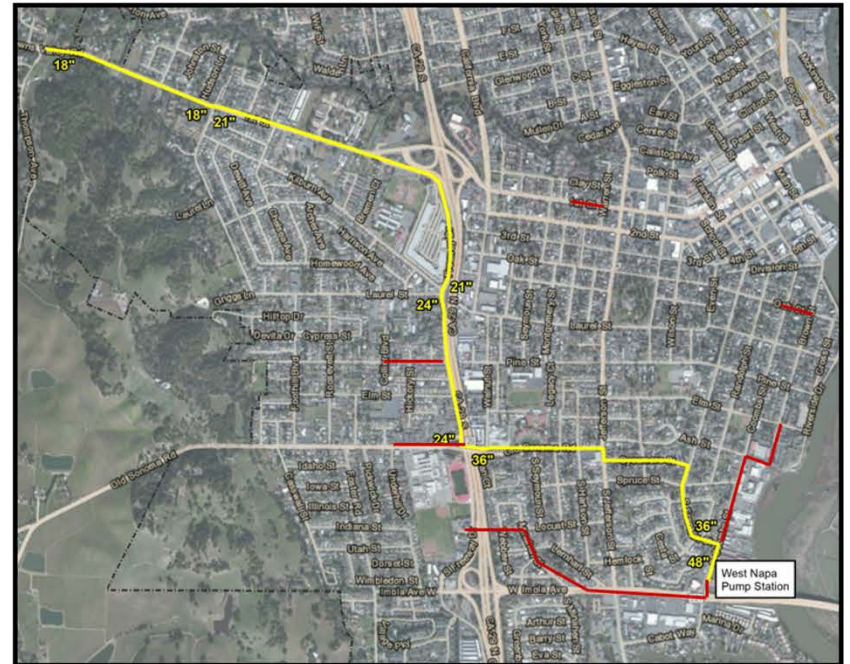
Project Cost: Approximately \$15-20 million

Browns Valley Road Sewer Interceptor



Current

Red lines: —
Over-capacity pipes



With Interceptor

Red lines: —
Over-capacity pipes

Yellow line: —
BVR Sewer Interceptor

Inflow and Infiltration Sewer Projects

- Reduce amount of stormwater and groundwater leaking into sewer pipes
- Stop untreated sewage from escaping and flowing into creeks and the river
- Avoid sewage backups into homes and businesses
- Reduce salts/chlorides in recycled water

Project Cost: ~ 1% / \$3 million annual

Stock photo.
Not in Napa
County.



Aging Sewer Pipe Renewal and Replacement

- Replace or rehabilitate ~3 miles of aging sewer pipes per year
- Avoid excessive cost of emergency repair

Project Cost:

~ 1% / \$3 million annual, starting Year 4

Summary – how new revenue will be used

- Investment in repair of sewer pipes doubles from 1% to 2% annually.
- Decrease risk of sewer overflows during storm events.
- Decrease risk of sewer collapses and save money through ***planned*** rehabilitation.
- Protect public health and water quality.

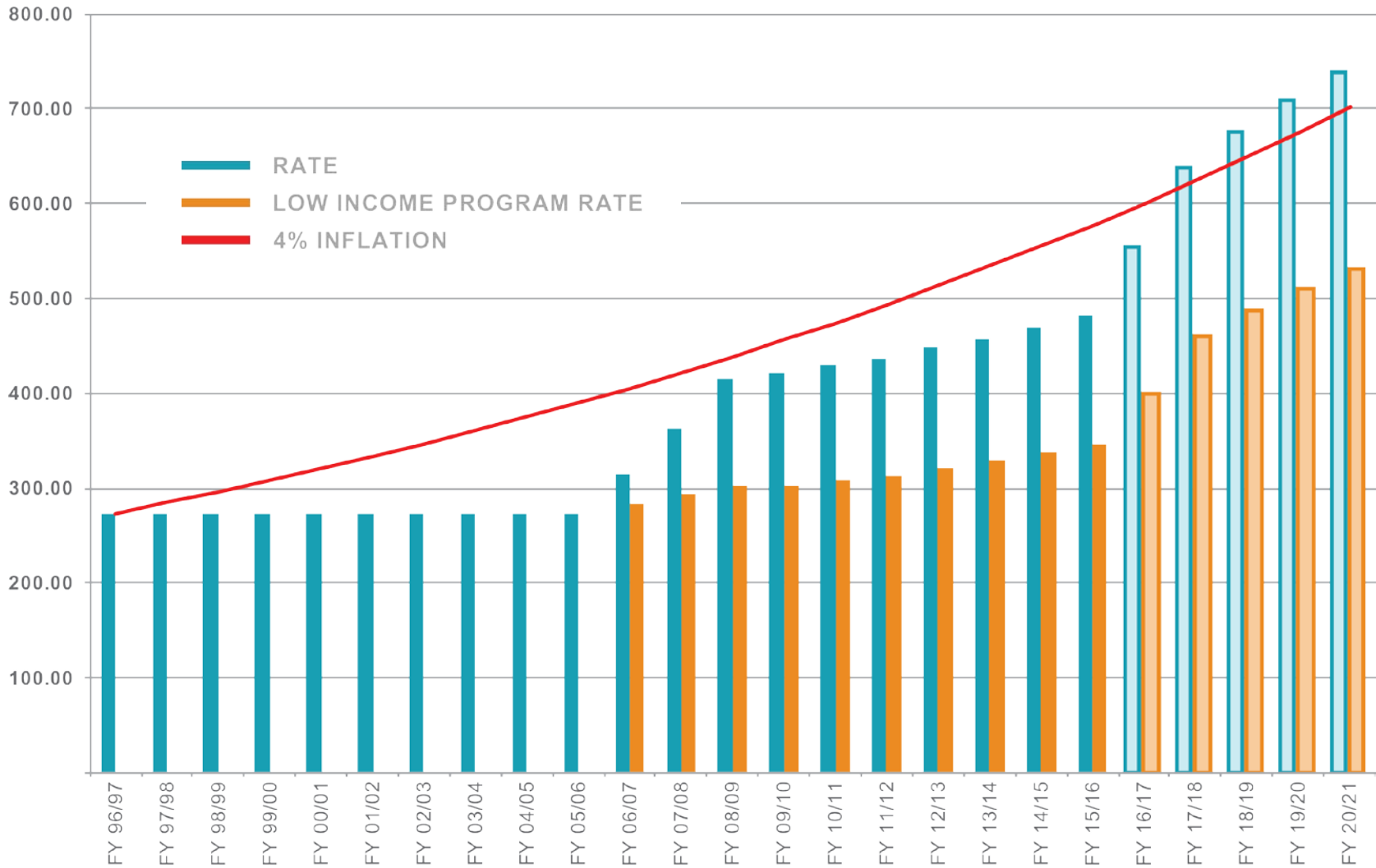


SEWER RATE PROPOSAL

Additional revenue is needed to protect our system and reduce costly repairs.

Rate Structure 2016–2021	Current Fiscal Year	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
Revenue Needed	\$19,535,000	\$22,514,151	\$26,105,521	\$28,075,212	\$29,898,942	\$31,383,610
Single Family (Annual Rate)	482.50	554.88	638.11	676.39	710.21	738.62
Apartment/Mobile Home (Annual Rate)	289.50	332.93	381.66	405.84	426.13	443.17
Annual % Increase		15%	15%	6%	5%	4%

History of Sewer Service Charges

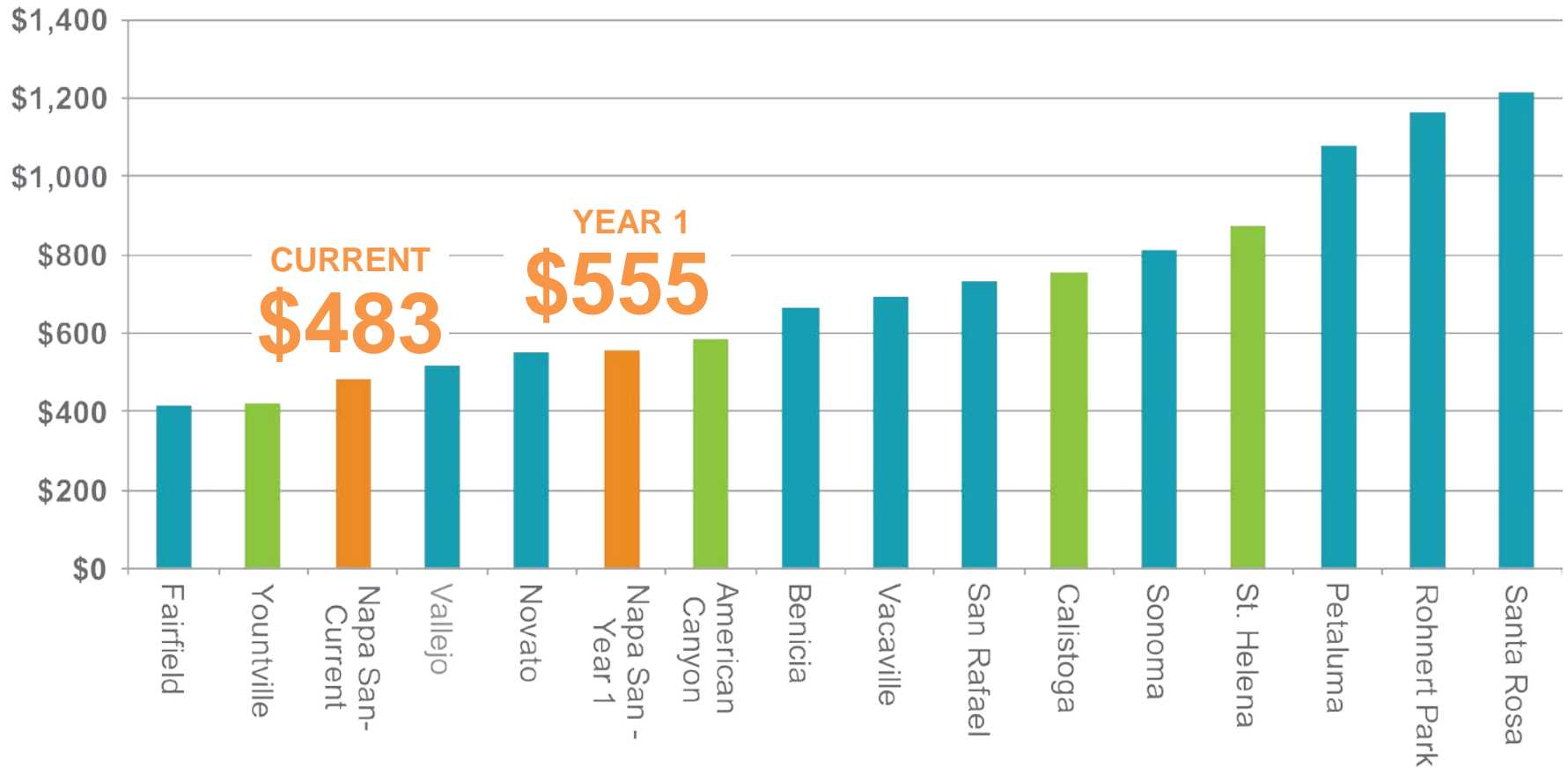




AFFORDABILITY

Our rates will continue to be lower than most.

Proposed Rates Compared to Current Rate in Other Communities

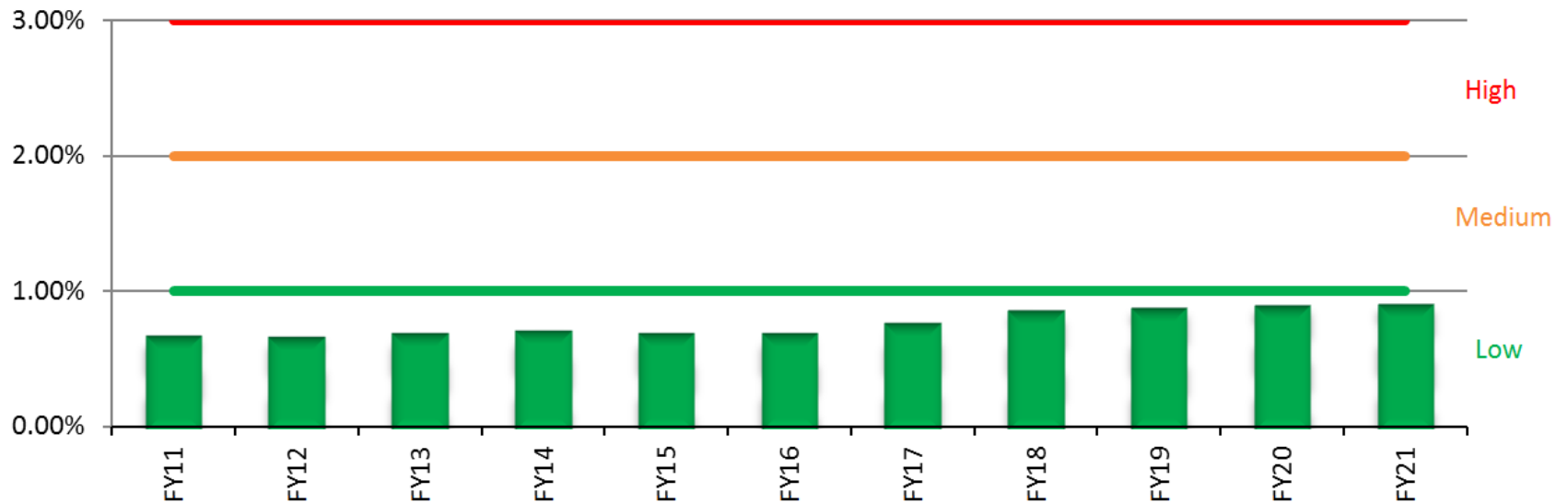


Rate increase in dollars is reasonable.

Fiscal Year	Monthly increase in rate compared to prior year	Residential Daily Rate
2016/17	\$6.03	\$1.52
2017/18	\$6.94	\$1.75
2018/19	\$3.19	\$1.85
2019/20	\$2.82	\$1.94
2020/21	\$2.37	\$2.02

Rate as a percentage of Median Household Income is low.

Rates as a Percentage of
Median Household Income (projected)
(compared to EPA affordability criteria)

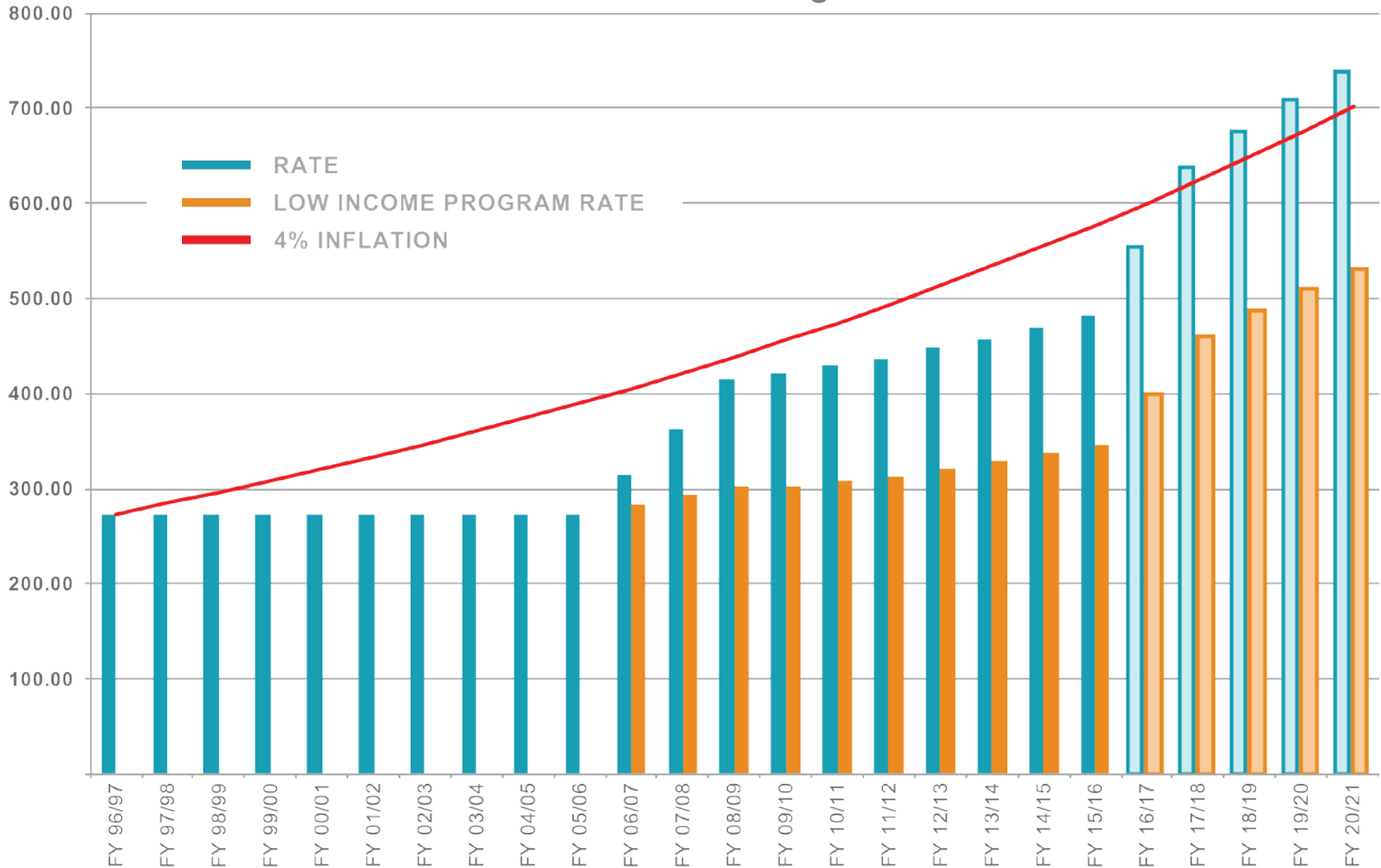


Low income assistance is available.

- NSD offers a 28% discount
- Estimated 600 EDU per year in program
- Cost approximately \$82,000 FY15-16
- Paid for with non-rate revenues (leases)
- If lease revenue were used to “buy down” the rate instead of fund this program, the *rate reduction would be \$2.30 per year.*

Low income rate compared to residential

Sewer Service Charge Rate





PUBLIC OUTREACH & DISCUSSION

Board evaluated policy options.

<u>Date</u>	<u>Topics Discussed</u>
• Sept. 2, 2015	Rate process R&R needs
• Sept. 16, 2015	R&R needs
• Oct. 21, 2015	Options for Program of Work
• Nov. 18, 2015	Financing Options
• Dec. 16, 2015	Draft Rate Study
• Jan. 13, 2016	Low Income Program Approve Notice of Public Hearing

Stakeholders were consulted.

<u>Date</u>	<u>Topics Discussed</u>
Oct. 7, 2015	Rate setting process Financial projections Browns Valley Road project I&I projects Sewer Rehabilitation projects Funding options / rate preferences
• Jan. 6, 2016	Draft Rate Study
• Attendees:	
NC Taxpayer Association	Wineries
Large Users	Developers/Builders
Environmentalists	School District

Public discourse through Napa Valley Register.

- Napa Valley Register wrote 4 articles about the rate proposal.
- NV Register wrote Editorial in support of the rate proposal.
- 21 Letters to the Editor in the NV Register.

Two information sessions were held.

- February 22, 2016 Boys & Girls Club
- February 23, 2016 NV College

Three community group presentations.

- February 10, 2016 Legislative Action Committee
(Napa Chamber of Commerce)
- February 25, 2016 Kiwanis Club of Napa
- March 16, 2016 Kiwanis Club of Greater Napa

District used digital media platforms to reach more people.

- NSD Facebook page
- Nextdoor.com
- NSD Website






PROPOSITION 218

Prop 218 requires equity and cost-based approach.

- Rate study conducted by professional firm to ensure that costs are allocated properly
 - ✓ *Ensures that rate revenue does not exceed costs*
- Rate study ensures that one class of customers do not subsidize the rates of other customers:
 - ✓ *Residences do not subsidize wineries*
 - ✓ *Restaurants do not subsidize residences*
 - ✓ *Sewer fees do not subsidize recycled water fees*

Notice of Public Hearing provided.

- District notified all landowners of proposed increase in January



Clean Water. Healthy Communities.

NOTICE TO PROPERTY OWNERS
PUBLIC HEARING ON PROPOSED INCREASE IN SEWER SERVICE CHARGES

The Napa Sanitation District Board of Directors will hold a public hearing to consider adopting increases in the rates for sewer service. The public hearing on the proposed rates will be held as follows:

Date: Wednesday, March 16, 2016
Time: 6:00 P.M.
Place: Napa Valley Unified School District Board Room
2425 Jefferson Street, Napa

Sewer Service Charge Rate Increase
The Napa Sanitation District (NSD) intends to adjust its Sewer Service Charge in order to meet the revenue needs of the District. Revenue collected by the District pays for the treatment of wastewater, the recovery of reusable resources (such as recycled water and energy), and the maintenance and rehabilitation of the sewer system. The Sewer Service Charge (SSC) is the amount you pay for sewer service to your property. For residential and most commercial customers, the SSC appears as an assessment on your property tax bill; for industrial and some commercial customers, it is invoiced monthly from NSD. For a single family residence, the SSC is currently \$482.50 per year. Other types of housing and businesses are charged based on this amount through a formula that determines the impact on the sewer system compared to a single family residence, or equivalent dwelling unit ("EDU"). Strength factors and the formulae for calculating SSCs are not changing – only the EDU amounts, but this change will impact all sewer customers.

After conducting a thorough rate study, meeting with community stakeholders, and receiving direction from the NSD Board of Directors, District staff is proposing to increase the current SSC, effective July 1, 2016, by 15%, from \$482.50 to \$554.88 per EDU. This would have the result of increasing per unit per year rates for single family dwellings, duplexes, granny units, condominiums and townhomes from \$482.50 to \$554.88, and other multifamily properties from \$289.50 to \$332.93. The non-residential rates, which are based on a formula that measures water consumption and the strength factor relative to an EDU, will be increased to reflect the change in the per EDU amount.

If approved, the proposal would also result in the EDU rate being automatically adjusted each July 1, through 2020, as specified in the table below.

Year	% Increase	Rate Per EDU	Effective Date
Year 2	15.00%	\$638.11	July 1, 2017
Year 3	6.00%	\$676.39	July 1, 2018
Year 4	5.00%	\$710.21	July 1, 2019
Year 5	4.00%	\$738.62	July 1, 2020

This will have the effect of increasing all customer SSCs (residential, non-residential, and industrial) proportionately, since they are all calculated based on the EDU rate.

1515 Soscol Ferry Rd., Napa, CA 94558
www.napa2an.com

Office (707)259-6000
Fax (707)259-6048

How was the proposed Sewer Service Charge (SSC) increase calculated?
At least every 5 years, the Napa Sanitation District must study its sewer service rates. The study calculates the amount of revenue that needs to be collected from rates in order to provide sewer service to customers. SSC charges are based on the cost to collect, transport, and treat wastewater from all users within the District's service area. These charges include the necessary repair and replacement of the sewer system infrastructure. The sewer system is aging, and as it ages, additional revenue is needed to rehabilitate it. Those costs, in turn, are allocated to sewer service customers based upon their relative use of the system. In particular, the SSC rate structure reflects the amount and strength of wastewater from various customer classes (residential, non-residential and industrial).

Targeted investments are needed now to protect the system we have and ensure that there are not more costly emergency repairs needed in the future. A thoughtful, planned investment in capital infrastructure now will result in lower overall costs in total, and will better protect public health, the environment, and local business interests. The additional revenue collected through the proposed rates will be used for capital projects designed to extend the useful life of the sewer pipes and other infrastructure. The amount of revenue to be collected from rates represents an increased public investment in the sewer infrastructure over prior years.

If no rate increases were implemented, the District would meet its current debt and operating requirements, but it would not be able to invest in replacing or improving the sewer and wastewater treatment infrastructure, and rather quickly, the integrity of the system would significantly degrade. Without this additional revenue, the risk of collapsed sewers, overflows and harm to both public health and environmental health will significantly increase.

What is the process for the District to approve the rate increase?
State law requires the District to notify property owners about the proposed rate increase, and to hold a public hearing regarding the proposed increase. If written protests against the proposed increase in the SSC are received by a majority of owners of the parcels affected, the District will not approve the proposed increase. If a majority protest is not received and the Board approved the rates, each July 1 hereafter, through July 1, 2021, the SSC may increase up to the amounts shown in the table on the first page of this letter.

HOW TO PROTEST THE RATE CHANGES:
If you wish to protest the proposed rate changes you must submit a written protest, even if you plan to attend the public hearing. Protests against the rate increase must be received in writing by the time of the end of the Public Hearing, must identify the owner(s) and the property or properties for which the protest is entered, and be signed by the property owner. If written protests against the proposed increase in the SSC are submitted by a majority of owners of the parcels affected, the District will not approve the proposed increase.

Please send or deliver your written protest to the Napa Sanitation District, 1515 Soscol Ferry Road, Napa, CA 94558 prior to the Public Hearing, or deliver the written protest directly at the Public Hearing at the location and date/time on the front page of this notice. Only one protest per parcel shall be counted.

If you are not in opposition to the proposed rates, no action is required on your part.

☐ (Check box if you agree with statement.) I do not agree with the proposed fee increase and am protesting the proposed fee increase in accordance with Article XIII Section D of the California Constitution. I certify that I am the property owner and/or responsible for paying the sewer service assessment for this property.

APN Number _____ or Street Address _____
(from envelope of this notice)

Signature _____ Printed Name _____

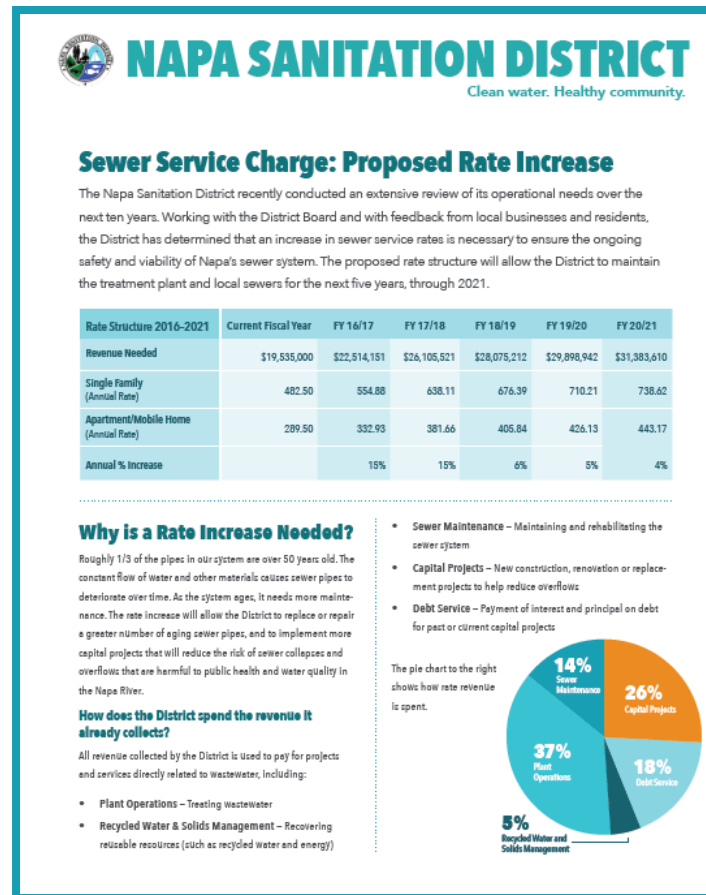
Mail or in Person to: Napa Sanitation District
1515 Soscol Ferry Road
Napa, CA 94558

Cut-out
form



Notice of Public Hearing provided.

- Included with Public Hearing Notice was 4-page brochure explaining the rate proposal.



Prop. 218 Public Process

- Property owners notified of proposed increase
- Property owners have the right to protest in writing
- If a majority of landowners protest, the District cannot raise rates

Public Hearing (tonight)

Wednesday, March 16th at 6pm

Napa Valley Unified School District

Board Room

2425 Jefferson Street, Napa



Majority protest is needed to overrule discussion.

Parcels served by NSD:	24,641
Needed for successful protest:	12,321

Prop. 218 allows for only 1 written protest per parcel.

Log of protests is available for inspection.

A supermajority vote of the Board is required to pass.

- 2/3 majority is required to pass a rate ordinance
- Vote must be either 4-1 or 5-0 to pass
- The ordinance sets the upper limit for rates for the next five years. By resolution, the Board could implement a rate that is lower than the rate in the ordinance.



QUESTIONS