

Capacity Charges Report for Fiscal Year 2015/16

Purpose of the Report

This report is prepared to comply with California Government Code 66013, detailing the amount of capacity charges were received by the District and on what capital projects those charges were expended.

Capacity Charges Defined

Capacity charges are a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged, including supply or capacity contracts for rights or entitlements, real property interests and entitlements and other rights of the local agency involving capital expense relating to its use of existing or new public facilities. The Napa Sanitation District charges a capacity charge on all new development and all expansions or changes of existing development to pay for current and future capital improvement projects in the wastewater treatment plant, reclamation system or collection system that are designed to accommodate growth or expanded use.

The Fiscal Year 2015/16, the fee for capacity charges was \$8,950 per Equivalent Dwelling Unit.

Reporting Requirements

The District is required to report to the public expenditures of capacity charges. As outlined in California Government Code 66013, the public reporting must be done within 180 days after the last day of each fiscal year and must include the following information for that fiscal year:

1. A description of the capacity charges deposited into the fund.
2. The beginning and ending balance of the fund and the interest earned from investment of moneys in the fund.
3. The amount of capacity charges collected in that fiscal year.
4. An identification of all of the following:
 - a. Each public improvement on which charges were expended and the amount of the expenditures for each improvement, including the percentage of the total cost of the public improvement that was funded with those capacity charges if more than one source of funding was used.
 - b. Each public improvement on which charges were expended that was completed during that fiscal year.
 - c. Each public improvement that is anticipated to be undertaken in the following fiscal year.
5. A description of each interfund transfer or loan made from the capital facilities fund. The information provided, in the case of an interfund transfer, shall identify the public improvements on which the transferred moneys are, or will be, expended. The information, in the case of an interfund loan, shall include the date on which the loan will be repaid, and the rate of interest that the fund will receive on the loan.

Activity Prior to Reporting Period

In August 2009, the District completed a study conducted by Bartle Wells Associates that evaluated the allocation of capacity charges to capital projects from Fiscal Year 1995/96 to 2007/08. The study looked at projects completed on a pay-as-you-go basis, as well as those that were debt financed. The study

evaluated which projects should be allocated to user fees (operating revenue), which to capacity charges (expansion fees), and which had “mixed benefit.” For those with mixed benefit, the study evaluated what the percentage split should be for those expenses.

The study concluded that the expansion fund (capacity charges) was overspent by \$19.4 million, with that difference being picked up by the capital projects fund (user fees). And after applying the existing fund balance for the expansion fund at the end of Fiscal Year 2007/08, there was still a capacity charge deficit of \$12,607,167.

In FY 2009/10, that deficit grew by \$1,590,705.81 to \$14,474,480.48.

In FY 2010/11, that deficit grew by \$627,358.75 to \$15,101,839.23.

In FY 2011/12, that deficit grew by \$878,026.91 to \$15,979,866.14.

In FY 2012/13, that deficit shrunk by \$521,983.77 to \$15,457,882.37.

In FY 2013/14, that deficit grew by \$3,811,328.73 to \$19,269,211.10.

In FY 2014/15, that deficit grew by \$7,315,937.78 to \$26,585,148.88.

Activity for Current Reporting Period (FY 2015/16)

Beginning Balance (deficit) **(\$26,585,148.88)**

Revenue

Capacity Charges Collected	\$2,916,191.06
Mitigation Fees*	223,311.69
Interest	1,352.37
Other Associated Revenues**	
USBR – WaterSMART Grant	111,557.00
Total Revenue	\$3,252,412.12

	FY 15/16 Total Expended	% of project allocated to Cap Charges	Total Cap Charges	Status as of 6/30/16
<u>Expenditures / Capital Projects</u>				
13705 – I&I Reduction Program	\$79,657.61	39.4%	\$31,385.10	Ongoing
14701 – Basin L - I&I Reduction Project 4	1,598,352.76	39.4%	629,750.99	Complete
15701 - Upper Later Rehabilitation - Basin L	101,399.64	39.4%	39,951.46	Complete
16701 – Basin L - I&I Reduction Project 5	1,290,370.32	39.4%	508,405.91	Ongoing
16704 – Manhole Rehab - Basin L (Pilot)	9,833.30	39.4%	3,874.32	Complete
13713 – Pond 1 Aeration	2,920.62	100.0%	2,920.62	Complete
13714 – Recycled Water Expansion Phase 1*	458,228.00	39.4%	180,541.83	Complete
13724 – IPS Expansion	1,105,377.54	39.4%	435,518.75	Ongoing
Total Expansion Capital Expenditures			\$1,832,348.97	
Ending Balance (deficit)			(\$25,165,085.73)	

Budgeted Capacity Charge Expenses for Next Reporting Period (as of 9/30/2016)

<u>CIP# - Name</u>	<u>FY 16/17</u>	<u>% Funded by Capacity Charges</u>	<u>% Funded by Other Revenue</u>	<u>Total Capacity Charges</u>	<u>Total Other Revenue</u>
13705 – I&I Reduction Program	\$200,000	39.4%	60.6%	\$78,800	\$121,200
16701 – Basin L - I&I Reduction Project 5	1,400,000	39.4%	60.6%	551,600	848,400
17708 – Basin G - I&I Reduction Project #1	1,200,000	39.4%	60.6%	472,800	727,200
13724 – IPS Expansion	38,700	39.4%	60.6%	15,248	23,452
Total Capacity Charge Expenses	\$2,838,700			\$1,118,448	\$1,720,252

Note:

* Mitigation Fees were allocated to I&I Reduction Projects.

**Any grant revenue or reimbursements received for these projects will be recorded as “Other Associated Revenue” and credited against the capacity charges.

Additional information on capital expenditures can be found in the NSD Adopted Operating and Capital Budget at www.NapaSan.com.