

OPERATING AND CAPITAL BUDGET

FISCAL YEAR 2021/22

NAPA SANITATION DISTRICT
NAPA, CA

PROPOSED



NapaSan

Budget Acknowledgements

Board of Directors

Scott Sedgley, Chair
Ryan Gregory, Vice-Chair
Mary Luros, Director
David Graves, Director
Peter Mott, Director
Alfredo Pedroza, Alternate Director
Bernie Narvaez, Alternate Director

Executive Officer

Tim Healy, General Manager

Management Team

Operations Services

James Keller, Operations Services Director
Seth Rossi, Collection System Manager
Steve Caldwell, Collection System Supervisor
Dan Fritz, Treatment Plant Operations Supervisor
Mark Egan, Treatment Plant Maintenance Supervisor
David Martin, Reclamation Systems Manager

Technical Services

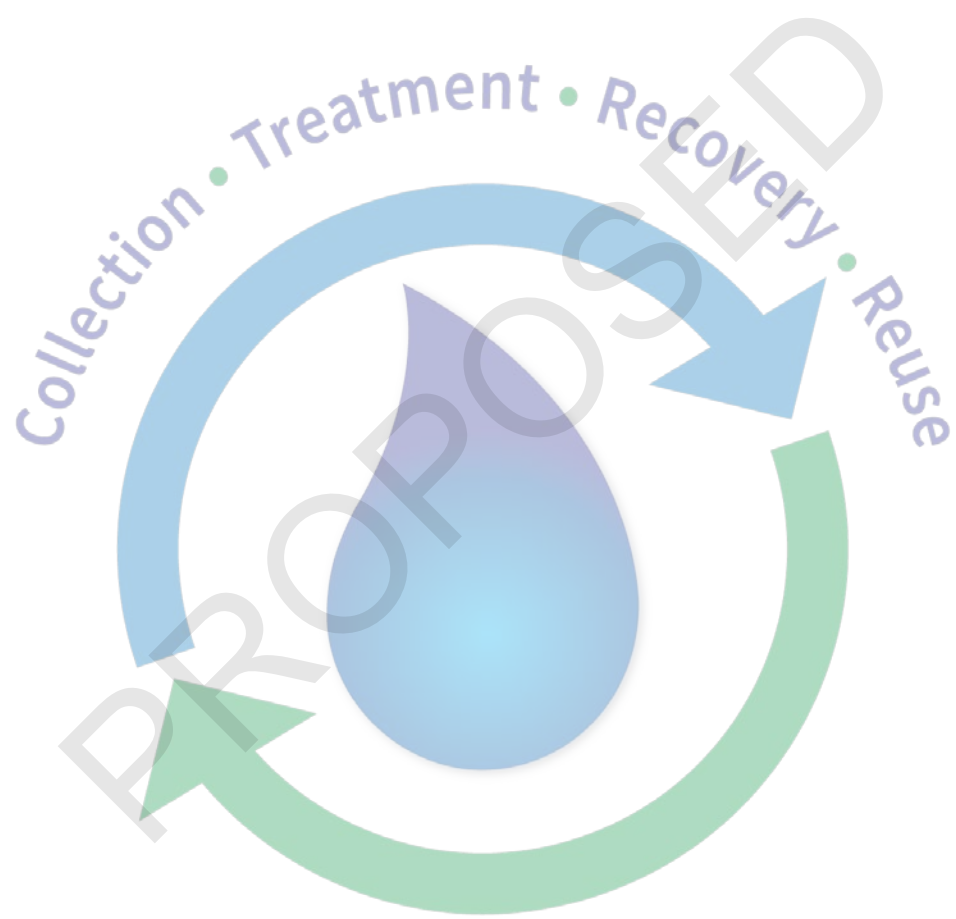
Andrew Damron, Technical Services Director / District Engineer
Matt Lemmon, Capital Program Manager
Chris Francis, Regulatory Compliance Manager

Administrative Services

Vacant, Administrative Services Director / Chief Financial Officer
Cheryl Schuh, Human Resources Officer / Clerk of the Board
Cyndi Bolden, Senior Accountant

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NapaSan



DATE: June 2, 2021

TO: Honorable Board of Directors and
Customers served by the Napa Sanitation District

FROM: Tim Healy, General Manager
Cyndi Bolden, Senior Accountant

SUBJECT: FY 2021/22 Operating and Capital Budget

On behalf of the entire Executive and Management Team, we are pleased to present to you the Proposed FY 2021/22 Napa Sanitation District Operating and Capital Budget. This Budget is the financial plan for the coming year and serves as a source of information about NapaSan and its programs.

Local Economic Condition

Napa County and the City of Napa have experienced the most dramatic decrease in economic growth in recent history during Fiscal Year (FY) 2020/21 as the COVID-19 pandemic ravaged the entire world over the last seventeen months. The unemployment rate in Napa County was at 7.1% in February 2021, 3.9% higher from a year ago and 2.8% higher than two years ago.¹ This compares to the state average of 8.5% in February.²

The economic outlook and revenue projections for the upcoming year is a striking difference compared to one year ago. Many businesses were shut down or operating at a significantly reduced capacity. However, the COVID-19 positivity rates have been at the lowest levels since the height of the pandemic. Along with an aggressive approach in its vaccination efforts and the reduction in COVID-19 hospitalizations and deaths, California is on track to reopen its economy on June 15th.

While the economic outlook has improved, travel and tourism are still being considerably impacted by the COVID-19 related safety restrictions. It is expected to be a slow recovery. Napa's economy depends on the travel and tourism industry and expects local economies will not return to pre-pandemic levels until FY 2023/24.³

There are still many unknowns and uncertainties that could have financial impacts in the future – COVID-19 variants, apprehension about the vaccine, stock market volatility, and higher inflation. These all could affect how quickly the economy can open back up and the development community recovers. This will have an impact on NapaSan, both in the receipt of capacity charges as well as growing the base of sewer service charges. Development activities will be closely monitored over the next year.

¹ US Bureau of Labor Statistics - www.bls.gov/eag/eag.ca_napa_msa.htm

² US Bureau of Labor Statistics - www.bls.gov/regions/west/california.htm

³ City of Napa 2021 Long-Term Financial Forecast

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The FY 2021/22 Napa Sanitation District Operating and Capital Budget was developed based on the recognition that recovery of the economy may be slow and gradual.

Budget Priorities and Direction

The proposed budget represents a focused effort to bring back the service levels that were reduced in the prior year in anticipation of revenue reductions and increased expenses. The 10-Year Capital Improvement Plan (CIP) also reprioritizes projects that were reduced or delayed to get them back on track. The CIP continues to invest in sewer rehabilitation and inflow & infiltration projects. The budget also allocates resources toward activities that implement the goals and objectives established by the Board of Directors in its Strategic Plan, updated in May 2021, including maintaining a focus on quality customer service, preventive maintenance, and investments in staff and infrastructure that improve efficiency, effectiveness and safety.

The proposed budget addresses the following challenges facing NapaSan and the community, with budget priorities and direction developed to address these challenges:

Maintain Assets for Future Generations. The bulk of the community’s sewer system was built from the 1950s through 1970s. These assets, along with those already in service prior to the Second World War, are deteriorating and reaching the end of their useful lives. It is NapaSan’s responsibility to ensure that these assets are maintained appropriately to keep them in service as long as possible, and to replace those assets when necessary to avoid system failures.

The FY 2021/22 budget continues the implementation of an Asset Management program to focus on the maintenance, rehabilitation, and replacement of existing assets – plant, collections and recycled water. This effort will ensure that assets are maintained and replaced based on their risk profiles – the consequences and likelihood of failure, to ensure the most efficient use of available resources.

NapaSan continues to use predominantly “pay-as-you-go” financing for the renewal and replacement of its sewers and other capital assets. The Collection System portion of the capital plan includes the continuation of annual expenses dedicated to main line sewer rehabilitation and lateral replacements, and identifies specific sewer rehabilitation and replacement projects deemed most critical. NapaSan increased its commitment to rehabilitate aging sewers, establishing goals that include a replacement of 2.0% of its sewer assets annually.

Reduce Inflow & Infiltration (I&I) and Overflows. The sewer overflows experienced by NapaSan in early 2017, and to a lesser extent in early 2019, were caused by severe rain events, events that are forecast to become more common in the future. The resulting I&I from 2019’s winter storms contributed to flows at the treatment plant increasing from around 6 million gallons per day (MGD) to over 50 MGD. This much additional water in the sewer pipes from storm events and high ground water results in increased treatment costs as well as a much higher probability

of sewer system overflows. Recent improvements in the sewer system southwest of downtown Napa have demonstrated that focusing sewer rehabilitation on areas with significant I&I can have the positive impacts of both reducing flows during storms as well as extending the expected useful life of the pipes. The FY 2021/22 capital budget and 10-Year Capital Improvement Plan include several projects, such as annual sewer rehabilitation and annual manhole rehabilitation projects, that are specifically designed to reduce I&I.

Improve Quality of Recycled Water. Due to drought conditions, the amount of chlorides in the NapaSan influent increased significantly. When combined with water from NapaSan's treatment pond system, which also experienced a concentration of chlorides due to drought and evaporation, the resulting recycled water distributed to customers saw concentrations of chlorides that could be harmful to grapevines. In response, NapaSan focused efforts on reducing I&I in manholes and pipes in areas with highly saline groundwater. This effort, in combination with the return of rains in the winter months, have lowered the chlorides to acceptable levels. However, NapaSan can still do more to reduce chlorides, to prepare for the next drought and its impacts. The FY 2021/22 budget includes the completion of a major sewer rehabilitation project (66-inch sewer main rehabilitation) that is also projected to have significant benefits in lowering chloride levels in the influent waters.

Prepare for Impact of Potential Future Disaster. In the past decade, Napa has experienced many natural disasters, including wildfires, flooding from major storm events, and earthquakes. The FY 2021/22 budget continues efforts to improve NapaSan's resiliency and ability to mitigate the impacts of future disaster, respond to the public need during disaster, and to recover faster from disaster through planning, working with partners, and implementing resiliency projects. These include a continuation of partnering with Napa County in hazard mitigation planning and disaster response training, working with the City of Napa and others to develop a Drought Contingency Plan, and working with regional partners to plan for the impacts of sea/river level rise and increased winter storm intensity. It also includes projects such as the replacement of the West Napa Pump Station to increase the firm capacity, redundancy and resiliency of this critical infrastructure during major storm events. The coronavirus pandemic has not impacted NapaSan's ability to provide sewer service safely and effectively.

Reduce Long-Term Employment-Related Liabilities. CalPERS, the retirement benefit system for NapaSan employees, regularly provides information on the funded status of the program and indications of future costs for both the normal cost and the unfunded actuarial liability. Recent reports show that the costs associated with employee retirement will continue to escalate at rates faster than inflation. After identifying this issue in the Strategic Plan in 2017, the Board provided direction to staff to identify sources of revenue or expenditure savings that can be applied toward the outstanding liability to reduce the long-term upward pressure on this payroll cost. As a result of a \$135,000 savings in debt service due to the refinancing of debt in December 2017 and a \$500,000 side fund payment that was paid off in FY 2019/20, NapaSan has included additional payments to be applied toward the pension's

unfunded liability. The budget also continues to fund OPEB payments to a trust fund at the Actuarially Determined Contribution rate.

Reduce or Maintain Operating Costs. Over the past several years with the exception of the upcoming fiscal year, the proposed operating budget annual percentage increase has been below the local area Consumer Price Index (CPI), even as service has expanded in recycled water, an energy-intensive operation. This has been possible through improvements in operational efficiencies and by investing in capital projects that have short-term payback from operational savings. The Board has directed staff to continue to find projects with short paybacks and to continue to improve the efficiency of operations. The Capital Improvement Plan includes several projects toward this end, such as the Solar Purchase Buy Out (FY 22/23). Other projects incorporate operational savings, such as the West Napa Pump Station Replacement, which is estimated to have a 20% energy savings element to the project.

Prepare for Economic Downturns. It is inevitable that growth in the local economy will be followed by a period of economic slowdown or unexpected catastrophic events, as seen with the coronavirus pandemic. The proposed budget represents both a short-term (one year) plan for spending as well as a 10-year look-forward in revenues, operating expenses and capital expenditures and strives to ensure that the decisions made this year are sustainable into the foreseeable future. When making decisions regarding capital projects, a total cost of ownership approach is employed, whereby the total cost of a decision, including both the initial capital cost and the ongoing operational costs, are considered. Decisions about changing levels of service are also evaluated long-term to determine the ability to sustain those changes. The 10-Year Financial Plan shows that the current year budget, anticipated future operating budgets, Capital Improvement Plan and revenue forecast should still result in NapaSan fully funding its identified reserves.

Financial Overview

NapaSan maintains one fund for accounting and budgeting purposes. Within the fund there are three departments or “subfunds” that track the following: 1) operating revenues and expenses, 2) capacity charge revenue, which is a restricted revenue, and 3) capital project expenses and associated revenues, such as grants.

Operating expenses (salary, benefits, supplies and services) total \$17,818,450, compared to the adjusted budget of \$16,001,000 in FY 2020/21, for an increase of 11.4%. Debt service expenses increased \$561,550, to \$5,149,550. Intrafund transfers from operating to capital are budgeted at \$9.0 million. The proposed capital budget of \$20,128,300 is \$45,775,150 lower than the \$65,903,450 adjusted capital budget in FY 2020/21.

The total operating and capital budget for NapaSan (including debt service and taxes, but excluding intrafund transfers) of \$43.1 million, is down 50.2% from last year’s \$86.5 million. This decrease is made up from a 14.9% increase in Salaries &

Benefits over prior year, 6.0% increase in Services & Supplies, 12.2% increase in debt service, and 69.5% decrease in Capital.

In January 2020, NapaSan secured a State Revolving Fund (SRF) loan from the State Water Resources Control Board's Division of Financial Assistance. This loan will debt finance the Browns Valley Trunk and West Napa Pump Station Replacement projects. Certificates of Participation (COPs) were also issued in December 2020. The proceeds will cover the cost of the 66-inch Sewer Trunk Rehabilitation project and a portion of the 2022 Sewer Rehabilitation project. Debt Service payments for the COPs will begin in FY 2021/22 and the SRF loan payments will not begin until construction of the Browns Valley Trunk and West Napa Pump Station Replacement projects has been completed, which will be in FY 2022/23.

The operating emergency reserves, debt reserves and cash flow reserves are fully funded, per NapaSan financial policy.

Summary of the FY 2021/22 Budget

Revenues

Sewer Service Charges (SSCs), NapaSan's largest source of revenues, are collected annually as assessments on the property tax rolls. Under the Proposition 218 process conducted in March 2021, the sewer service charges were set to remain at \$738.60 per Equivalent Dwelling Unit (EDU) with modifications made to the sewer service charge calculation to equitably assess the SSCs among the different customer classes for the next five years. The FY 2021/22 budget includes the modified rate structure along with projected growth from development. An adjustment was made to decrease sewer service charge revenues to reflect reduced activities from NapaSan's business customers and other customers where water usage is used to calculate SSCs. These revenues will see a decrease of 2% or \$625,000.

Other revenues were projected conservatively using economic indicators and trend analysis. Economic-based revenues such as capacity charges were projected based on specific evidence of activity and known large projects. Investment earnings rates were assumed to remain low because of cuts to the Federal Funds rate to sub 1.00% levels in effort to stimulate the economy by the Federal government. More information on the forecast methods can be found in the "Sources of Funds/Revenues" section of the Budget Summary.

FY 2021/22 revenues from all sources are expected to be \$43,390,800, excluding intrafund transfers. Projected operating revenue, which excludes revenues associated with capital projects (capacity charges, grants, intergovernmental revenue, bond/loan proceeds and sale of capital assets), slightly decreased from about \$32.8 million in FY 2020/21 to about \$32.6 million this year (0.5% decrease). Sewer service charges are anticipated to decrease 2.0% due to the shutdown of many non-essential businesses resulting in decreased water usage. Recycled water sales revenues were underbudgeted in FY 2020/21. In addition, the dry winter increased the demand for

recycled water. Sales are expected to be slightly higher than prior year budget, due to the annual fee increase for CPI and increased water usage from early water sales.

Capacity charge revenue is projected higher, at \$3,580,000, compared to \$1,992,000 budgeted in the prior year, based on development projects anticipated.

Loan proceeds are expected to decrease to \$7,133,300. These are the remaining loan proceeds from the Browns Valley Truck and West Napa Pump Station projects as well as the issuance of debt in support of the 66-inch Sewer Trunk Main Rehabilitation project and a portion of the 2022 Sewer Rehabilitation project.

Operating Expenditures

NapaSan operating expenditures are expected to be \$17,853,450 (salary and benefit expenses of \$11,021,800 plus services and supplies expenses of \$6,796,650 plus taxes & other of \$35,000). This represents an increase in budgeted operating expenditures of \$1,810,050 or 11.3%.

Salary and benefit expenses are proposed to increase 14.9%. Salaries are set to increase 11.5%, accounting for cost of living increases, step increases, market adjustments and new employees starting in the middle of the salary range. The budget for two vacancies were not included in FY 2020/21. Those vacancies were added back in for FY 2021/22, which accounts for a portion of the increase in salaries. Changes in benefits and overtime make up the difference. Retirement expenses were to go up approximately 12.8%; however, an additional \$505,000 has been budgeted to make additional contributions toward the unfunded actuarial liability. OPEB expenses are down 16.3%, due to the prior year budget being higher than actual expenses. Employee insurance line item is up 13.2%, related to adding back two positions that were not filled in the prior year. Workers compensation insurance expenses are down 2.0% attributable to NapaSan's good safety record.

While the two vacancies were not included in the budget for FY 2020/21, they were not eliminated and therefore, there is no change in the number of FTE proposed in FY 2021/22.

The budget for services and supplies in total is proposed to increase 6.0% from the prior year's budget. The budget includes a large increase in liability insurance (\$200,000 or 50.0%) due to the risk pool increasing their rates because of catastrophic events, including the wildfires in California in the last few years. Electricity increases 24.1% for increased recycled water production, but chemical usage decreases by \$100,200 (down 9.7%). The marsh dredging project (\$200,000) that was delayed last year was added back in to account for part of the increase.

Included in the budget for services and supplies are the following projects that were either identified in the NapaSan's Strategic Plan for completion this year or are at the request of the Board:

- Continuation of asset management implementation
- Preparation of a climate action plan
- Biennial root control program
- Marsh dredging project
- Additional pension contribution

Capital Expenditures

NapaSan maintains a 10-Year Capital Improvement Plan (CIP) and includes the acquisition and construction of new facilities and assets as well as the renewal and rehabilitation of existing assets, when that rehabilitation extends the useful life of those assets. NapaSan will implement the strategies identified in the updated Collection System Master Plan, through implementation of stormwater and groundwater inflow & infiltration (I/I) reduction projects. The last Wastewater Treatment Plant Master Plan (WTPMP) was approved in March 2011 and is currently being updated. Capital components from the 2011 WTPMP are included in the current capital plan. Upon the completion of the update of the WTPMP, the CIP will incorporate newly identified capital components. The CIP focuses increased attention to sewer rehabilitation projects, planning for the replacement of 2% of the sewer system, or about 5.7 miles of pipeline, annually, and also on replacing aging equipment in the treatment plant.

The capital expenditure budget for FY 2021/22, the first year of the ten-year plan, is \$20,128,300. The Browns Valley Trunk and the West Napa Pump Station Replacement projects are debt financed through State Revolving Fund (SRF) loans. A portion of the 2022 Collection System Rehabilitation project will be financed from the proceeds of the COPs issued in December 2020. All other projects in the capital plan for FY 2021/22 are financed from ongoing revenue (“pay-as-you-go”).

Further details can be found in the Capital Improvement Plan chapter of this budget document.

Debt and Debt Service

NapaSan has six distinct debts for which it pays annual debt service. All of NapaSan’s debt has fixed interest rates. Total debt service for FY 2021/22 will just over \$5.1 million.

NapaSan entered into a Clean Water State Revolving Fund (SRF) loan with the State Water Resources Control Board in FY 2019/20 to pay for the Browns Valley Trunk project and West Napa Pump Station Replacement project. The loan is a Local Match loan, where NapaSan will request reimbursement for only 83.3% of the loan amount and pay the rest from cash on hand. In exchange, the 30-year loan will be at

0% interest. This equates to a 1.2% “imputed interest” loan. The loan is for \$40 million. Debt service on this loan is anticipated to begin in FY 2022/23, as debt service on this loan does not commence until construction of the project is complete.

Certificates of Participation were issued in the amount of \$8,560,000 in December 2020 to fund the 66-inch Sewer Trunk Main Rehabilitation project and a portion of the 2022 Collection System Rehabilitation project. The debt service is included in the FY 2021/22 budget.

Fund Equity and Reserves

The beginning fund equity for FY 2021/22 is estimated to be \$20,776,200. This number assumes that most of the operating and capital budget in FY 2020/21 is spent, or that any underspending is carried forward into FY 2021/22.

As proposed, the ending fund equity for NapaSan is projected to be **\$21,035,700** on June 30, 2022, and is allocated as follows:

\$6,000,000	Operating Reserve – This is at least 15% of NapaSan’s budgeted operating expenditures, excluding transfers.
\$10,351,000	Operating Cash Flow Reserve – This amount is necessary on July 1 to cover NapaSan’s anticipated operating expenses between the start of the fiscal year and December, when NapaSan receives the bulk of its cash receipts from sewer service charges billed on property tax statements.
\$1,100,000	Debt Reserve – This is the amount required by the State Revolving Fund program to keep in reserve for future debt service for the Browns Valley Trunk and West Napa Pump Station Replacement projects.
\$340,000	Recycled Water Repair & Replacement Reserve – Beginning in calendar year 2019, the recycled water rate includes a component dedicated to the future repair and replacement of recycled water pipeline.
\$3,244,700	Available for Use – This is the projected amount of fund equity, including any bond proceeds, available to NapaSan for use on capital projects at the end of FY 2021/22. The Ten-Year Financial Forecast anticipates using this fund equity on future capital projects.

On the next page is a summary table of the revenue, expenditure and intrafund transfer budgets for FY 2021/22, along with information on fund equity and reserves.

Budget Summary

	FY 20/21 Adjusted Budget	FY 21/22 Budget	Percent Change
Beginning Fund Equity	31,472,186	20,776,200	(34.0%)
Revenue – All funds, excluding transfers			
Sewer Service Charges (incl. delinquencies)	31,112,000	30,487,000	(2.0%)
Capacity Charges	1,992,000	3,580,000	79.7%
Recycled Water Sales	1,001,000	1,343,000	34.2%
Waste Hauler Fees	197,000	283,000	43.7%
Construction/Building Permit Review Fees	123,000	125,500	2.0%
Other Revenues	92,000	94,000	2.2%
Interest on Invested Funds	196,000	208,000	6.1%
Land Leases	129,000	137,000	6.2%
Intergovernmental / Grants	-	-	0.0%
Bond/Loan Proceeds	40,996,900	7,133,300	(82.6%)
Total Revenues	75,838,900	43,390,800	(42.8%)
Expenditures – All funds, excluding transfers			
Salaries & Benefits	9,590,300	11,021,800	14.9%
Services & Supplies	6,410,700	6,796,650	6.0%
Taxes & Other	42,400	35,000	(17.5%)
Subtotal Operating Expenses	16,043,400	17,853,450	11.3%
Capital Expenditures	65,903,450	20,128,300	(69.5%)
Debt Service (incl. debt administration expenses)	4,588,000	5,149,550	12.2%
Subtotal Capital Expenses	70,491,450	25,277,850	(64.1%)
Total Expenditures	86,534,850	43,131,300	(50.2%)
Ending Fund Equity	20,776,236	21,035,700	1.2%
Reserves			
RW Repair & Replacement Reserve	206,000	340,000	-
Operating Reserve	6,000,000	6,000,000	0.0%
Debt Reserve	1,100,000	1,100,000	-
Operating Cash Flow Reserve	10,204,000	10,351,000	1.4%
Total Reserves	17,510,000	17,791,000	1.6%
Available for Use (Ending Fund Equity minus Reserves)	3,266,236	3,244,700	(0.7%)
	FY 20/21 Adjusted Budget	FY 21/22 Budget	Percent Change
Intrafund Transfers			
Transfer from Operations to Capital Projects	9,000,000	9,000,000	0.0%
Transfer from Expansion to Capital Projects	1,992,000	3,580,000	79.7%
Total Intrafund Transfers	10,992,000	12,580,000	14.4%

Ten-Year Budget Projections

NapaSan increased sewer service charges back in March 2016 specifically to double the amount of sewer pipe it rehabilitates, while making significant efforts to keep operating expenses lower to allow for additional investment in infrastructure maintenance.

The cost of employee benefits is expected to rise in future years. Specifically, the cost of health and retirement benefits are major contributors to anticipated increased operating costs over the foreseeable future. The impact of the pandemic to these costs have been minimal but are still unknown. The Board has instructed staff to take advantage of salary and other expenditure savings and apply those savings toward bringing service levels back up after reducing them in prior year. The two vacant positions that were not filled in FY 2020/21 are included for FY 2021/22. Additional contribution toward retirement liabilities have been included as well as other operating line items that were reduced or removed from the FY 2020/21 budget.

The forecast assumes sewer service charges will increase by a modest 3% annually starting in FY 2026/27, after the five-year period in which the rate was set to remain the same, following the Proposition 218 public hearing in March 2021. Annual increases in capacity charge rates (by a construction-inflation index) are projected, as are increases in development, and annual increases for recycled water fees (by CPI). Further detailed information regarding the NapaSan's Ten-Year Financial Plan can be found in the budget document.

Acknowledgments

The General Manager and the staff of the Administrative Services, Technical Services and Operations Services Departments sincerely appreciate the direction offered by the NapaSan's Finance Committee, Long Term Planning Committee and Board of Directors, and the cooperation and assistance of NapaSan staff, in developing a responsible and thoughtful budget for FY 2021/22. Many people throughout the organization have put a great deal of effort and skill into producing this document and the proposed budget.

Finally, as always, we look forward to your comments and suggestions so that we may continue to refine the document and make it as readable and useful as possible to the NapaSan Board, its customers, and the community at large.

Respectfully submitted,



Timothy Healy, P.E.
General Manager



Cyndi Bolden
Senior Accountant

RESOLUTION NO. _____**RESOLUTION OF THE NAPA SANITATION DISTRICT
ADOPTING A BUDGET AND CAPITAL IMPROVEMENT
PROGRAM FOR FISCAL YEAR 2021/22**

WHEREAS, the Board of Directors of the Napa Sanitation District (“NapaSan”) is charged with the duty of adopting an annual budget; and,

WHEREAS, the Board of Directors of the NapaSan has studied and considered in detail a Preliminary Operating Budget and Capital Improvement Program for FY 2021/22; and,

WHEREAS, the Final Budget (Operating and Capital Improvement Program Expenditures, Revenues and Reserves) has been submitted to the Board of Directors (copy attached); and,

NOW, THEREFORE BE IT RESOLVED that the Board of Directors, as the NapaSan governing body, has determined that the attached Final Budget, describing:

- Operating Budget Appropriation of \$23,003,000, plus intrafund transfer of \$9,000,000 to support Capital Projects, for a total of \$32,003,000; and,
- Expansion Appropriation of \$3,580,000 in intrafund transfer to support Capital Projects; and,
- Capital Projects Appropriation of \$20,128,300; and,
- Full-Time Equivalent (FTE) Employee authorization of 53 employees, plus 5 Board Directors in accordance with the attached position control roster; and,
- Sewer Service Charge of \$738.60 per EDU, Capacity Charge of \$10,228 per EDU, and other fees as provided;

be hereby adopted as the Final Budget and Sewer Service Charges for FY 2021/22.

I hereby certify that the foregoing Resolution was duly and regularly adopted by the Board of Directors of the Napa Sanitation District, at its regularly scheduled meeting on the 2nd day of June 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair, Board of Directors

ATTEST:

Secretary, Board of Directors

Fees and Charges

Fee	Unit	Effective Date			
		July 1, 2020	Jan. 1, 2021	July 1, 2021	Jan. 1, 2022
Sewer Service Charges	per EDU	\$738.60		\$738.60	
Capacity Charges	per EDU	\$9,959		\$10,228	
Plan Check Fees					
Residential Subdivision	per subdivision	\$444		\$453	
Residential Lot Review	per lot	\$112		\$115	
Residential Lot without Mains	per lot	\$112		\$115	
Apartment Building	per building	\$887		\$905	
Hotel Building	per building	\$1,328		\$1,355	
Commercial Building	per building	\$444		\$453	
Tenant Improvement - Food Service	per tenant unit	\$332		\$339	
Tenant Improvement - Non-Food Service	per tenant unit	\$223		\$228	
Mainline Extension - not part of subdivision	per 100 linear feet	\$112		\$115	
Public Easement - not included in recorded map	each	\$112		\$115	
Inspection Fees					
Public Lateral - Residential	per lateral	\$199		\$203	
Private Lateral - New - Residential	per lateral	\$199		\$203	
Private Lateral - R & R - Residential	per lateral	\$199		\$203	
Residential Clean Out Only	per cleanout	\$101		\$104	
Tenant Improvement w/o outside site improvements	each	\$199		\$203	
Public/Private Lateral- Commercial	per lateral	\$395		\$403	
Grease Interceptor	each	\$199		\$203	
Mainline	per 100 linear feet	\$395		\$403	
Demolition Fee					
Interior Demo Only	per demolition	\$211		\$216	
Public and Private Lateral - failed inspection	per demolition	\$484		\$494	
Public and Private Lateral - passed inspection	per demolition	\$292		\$298	
Annexation Request	per request	\$1,328		\$1,355	
Development Agreement					
Standard Agreement	each	\$332		\$339	
Non-Standard Agreement	each	\$1,326		\$1,353	
Hauled Waste Fee					
Portable toilet and septic tank pumpage discharge waste	per gallon	Note #1		\$0.22	
Recycled Water					
Peak Period Rates	per 1,000 gallons		\$1.93		Note #2
Monthly Meter Charge	per month (May-Oct only)		\$36.22		Note #2

Note #1: Previous hauled waste fee structure was separated into categories and based on a percentage of the annual sewer service charge. A cost of service study updated the rate structure to consolidate the rates into one flow category.

Note #2: Will increase or decrease by the Consumer Price Index for All Urban Consumers, San Francisco-Oakland-San Jose Metropolitan area (1982-84=100), comparing the December 2021 index to the December 2020 index plus 2%.

Napa Sanitation District Overview

Mission

It is the mission of the Napa Sanitation District (NapaSan) to collect, treat, beneficially reuse, and dispose of wastewater in an effective and economical manner that respects the environment, maintains the public's health and meets or exceeds all local, state and federal regulations.

History

NapaSan, located in the Napa Valley in Northern California, has been serving the public since it was organized under the California Health and Safety Code in November 1945.



Soscol Water Recycling Facility

NapaSan provides wastewater collection, treatment and disposal services to the residents and businesses in the City of Napa and surrounding unincorporated areas of Napa County. As a special district, the NapaSan is an independent local agency governed by a Board of Directors made up of three elected officials from the City and County and two public appointees.

Until 1998, wastewater was processed at both the Imola Treatment Plant located north of Imola Avenue and west of Soscol Avenue, and the Soscol Water Recycling Facility (SWRF) near Napa County Airport. In 1998, all wastewater treatment activities were shifted to the SWRF. The Imola Avenue treatment facility was demolished in 2002 after completion of the Napa County Flood Control District Project relocating the railroad tracks onto the District's Imola property. NapaSan's Administration, Engineering and Collection System offices were relocated to the SWRF in 2013.

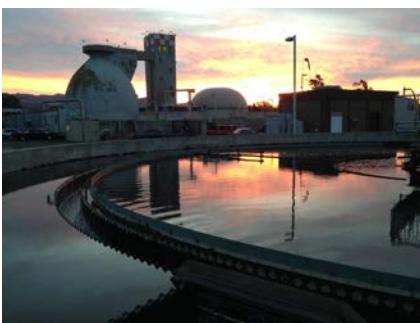
Public Services

There are approximately 38,250 connections within NapaSan's approximately 21 square miles of service area. Through a network of approximately 270 miles of underground sewer mains, assisted by a system of three lift stations, the sewage makes its way to the SWRF for treatment. (Additional demographics are available in Appendix B – Statistics and Economic Data.)

The SWRF is a secondary and tertiary biological physical-chemical treatment facility that treats a mixture of domestic and industrial wastewater. NapaSan wastewater processes include primary treatment, activated sludge facilities, oxidation ponds, clarifiers, sludge digestion and solids de-watering facilities.

The SWRF has a dry weather treatment design capacity of 15.4 million gallons per day (MGD). The wastewater is treated and discharged in various manners, depending on the source of the wastewater and the time of year.

NapaSan's regulating body, the Regional Water Quality Control Board, permits discharge to the Napa River in accordance with a National Pollutant Discharge Elimination System (NPDES) permit. NapaSan provides full secondary treatment and disinfection at its wastewater facility whenever discharging to the Napa River.



Soscol Water Recycling Facility at sunrise

During the summer months, discharge to the Napa River is prohibited and wastewater is either stored in stabilization ponds or treated and beneficially reused for landscape irrigation in industrial parks, golf courses, parks, pasturelands and vineyards. This high quality "Title 22 Unrestricted Use" recycled water is provided to all recycled water users.

The average dry weather flow (May-October) of wastewater into the SWRF was approximately 6.0 MGD, while the average wastewater flow for the entire year was approximately 6.5 MGD in fiscal year ending June 30, 2020.

Performance Measurement

NapaSan created and issued its Performance Measurement Report for Calendar Year 2020 in March 2021. The report identifies 63 performance measures that, when taken as a whole, should give the reader a sense of how well the utility is performing and being managed.

The report uses the Effective Utility Management (EUM) framework for presenting the performance information. EUM was developed in 2009 by six major water and wastewater associations and the United States Environmental Protection Agency to help utility managers make practical, systematic changes to achieve excellence in utility performance.

This framework is specific to water and wastewater utilities and provides for the possibility of comparing NapaSan to other wastewater utilities once more providers begin using EUM for measuring and reporting on performance.

The performance measures are organized into EUM's Ten Attributes of Effectively Managed Water Sector Utilities:

1. Product Quality
2. Customer Service
3. Employee and Leadership Development
4. Operational Optimization
5. Financial Viability
6. Infrastructure Stability
7. Operational Resiliency
8. Community Sustainability
9. Water Resource Adequacy
10. Stakeholder Understanding & Support

NapaSan rates “**satisfactory**” in 61 measures (97%). These measures include, among many others, meeting NPDES discharge limits for BOD and total suspended solids, electricity self-generation, no loss time accidents, operational efficiencies, and proactive practices on preventive maintenance.

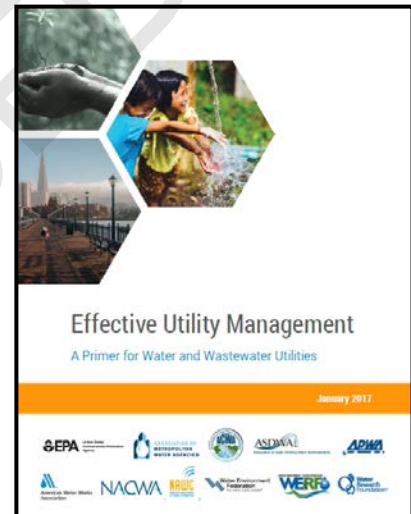
NapaSan rates “**watch**” on two measures (3%). A “watch” designation signifies that NapaSan is in danger of not meeting its goals, that the trend is indeterminate, or that there is insufficient data to make an assessment. Measures in this category include asset inventory, recycled water quality, total recordable incident rate, and insurance claims.

NapaSan rates “**unsatisfactory**” on none of the measures. “Unsatisfactory” signifies that NapaSan has not met its goals or that the trend is negative.

Several of the performance measures have been identified as “Key Performance Indicators” (KPIs) for determining whether NapaSan is meeting its Strategic Goals. Those KPIs have been identified below in the Strategic Planning Goals and Objectives section.

Most of the performance measures in the Performance Measure Report have also been included in the narratives of the “Expenditure by Department” section of this budget document.

A complete copy of the Performance Measurement Report for Calendar Year 2020 can be found in Appendix E of this budget.



Strategic Planning Goals and Objectives

In May 2021, the Board of Directors updated its Strategic Plan, articulating the long-term goals, objectives and priorities of NapaSan. The following are excerpts from the Strategic Plan.

The Strategic Plan provides detail on these goals and specific objectives, a copy of which can be found in Appendix C of this document. On a quarterly basis, progress on these goals and objectives is reported to the Board of Directors and posted on NapaSan's website.



Mission

The mission of NapaSan is to collect, treat, beneficially reuse and dispose of wastewater in an effective and fiscally responsible manner that respects the environment, maintains the public's health and meets or exceeds all local, state and federal regulations.

Goal 1 - Infrastructure Reliability

The goal is to build, maintain and operate a cost-effective and reliable wastewater treatment system for NapaSan's service area. Systematic replacement of aging infrastructure is priority number one. A long term capital facilities plan is needed, drawing on accurate information about current facility conditions and projections of future service area needs in five, ten or more years from now. NapaSan must ensure that treatment capacity will be in place to address current and projected future business and residential capacity needs.

Key Performance Indicators

Indicator	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Target 2021	Target 2022
Renewal & Replacement of Assets	3.8%	3.9%	5.8%	4.3%	2% - 4%	2% - 4%
Sewer Main Renewal & Replacement	2.2%	2.5%	2.3%	2.1%	2.0%	2.0%
Collection System Failures	0	0	0	0	0	0
Treatment Plant Capacity Used (flow-based)	69%	48%	60%	42%	<75%	<75%
Uptime for Cogeneration Engine	81%	98%	98%	97%	> 95%	> 95%

Strategic Objectives:

Strategic Objectives:	Completion:
1A: Strive to replace and rehabilitate at least 2% of sewers annually	Ongoing
1B: Continue to implement an asset management program	Ongoing
1C: Complete construction of the Browns Valley Trunk and WNPS projects	Dec. 2021
1D: Update the Treatment Plant Master Plan	Mar. 2022
1E: Study whether to implement a Private Lateral Program	Dec. 2024
1F: Rehabilitation of the 66-inch Trunk Main	Dec. 2021

Related Department Objectives:

- Rehabilitate 60 public laterals annually (Collection System)
- Work to eliminate higher maintenance sewer mains by replacing or repairing them (Collection System)
- Continue to enhance and organize inventory system to reduce down time (Plant Maintenance)
- Continue construction of the Browns Valley Road Trunk and West Napa Pump Station project (Engineering)
- Continue implementation of a formal asset management program (Engineering)
- Continue to study the benefits of implementing a Private Lateral Program (Engineering)
- Plan for and complete renewal & replacement capital projects that impact approximately 4% of NapaSan's total assets (Engineering)
- Rehabilitate or replace at least 2.0% of the Collection System sewer mains (Engineering)
- Design and construct I&I sewer rehabilitation projects annually (Capital Improvement Plan)

- Design and construct the 66-inch Sewer Trunk Main Rehabilitation project (Engineering)
- Update the Treatment Plant Master Plan

Goal 2: Financial Stability

The goal is to ensure adequate fiscal resources to fulfill NapaSan's mission. The NapaSan Board has a fiduciary responsibility to ensure that adequate financial resources are in place to operate NapaSan and carry out its mission, and that those resources are used efficiently.

Key Performance Indicators

Indicator	Actual FY 16/17	Actual FY 17/18	Actual FY 18/19	Actual FY 19/20	Target 20/21	Target 21/22
Bond Rating	AA	AA	AA	AA	AA+	AA+
Debt Service Coverage Ratio	344%	534%	374%	473%	>125%	>125%
Operating Ratio	1.07	1.36	1.08	1.27	> 1	> 1
Sewer Bill Affordability	0.74%	0.80%	0.84%	0.77%	< 1%	< 1%

Strategic Objectives:

Strategic Objectives:		Completion:
2A:	Update the sewer service charge rate study for Prop. 218 process	March 2026
2B:	Continue efforts to develop non-rate/non-fee revenues through the development of land leases	Ongoing

Related Department Objectives:

- Under the direction of the Lands Committee and Board, work to develop options for lease revenue on District-owned property (General Manager's Office)
 - Begin sewer service charge rate study in December 2024 in anticipation of the rate setting process in Spring 2026 (Administrative Services)
 - Review cash flow and emergency reserves for adequacy (Administrative Services)
 - Maintain and adjust ten-year plan for fleet sustainment, acquisition, rehabilitation and attrition (Safety, Training and Fleet Maintenance)
 - Continue to implement an effective life cycle equipment replacement schedule for better budgetary expense projections (Plant Maintenance)
 - Develop and utilize capital program management system to monitor and report progress of active capital projects (Engineering)



Stationary storage batteries used to store energy during the night for use during the day, decreasing energy demand charges

Goal 3: Operational Optimization

The goal is to implement and maintain effective operational practices. The Board wants to operate NapaSan at or above best practices, utilizing proven technology. Customers, ratepayers and internal staff all deserve high quality service through efficient use of our resources.

Key Performance Indicators

Indicator	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Target 2021	Target 2022
Self-Generated Electricity	40.8%	55.8%	49.4%	50.3%	> 50%	> 50%
Chemical Consumption (gallons hypochlorite per MG treated-summer)	198.6	191.1	171.8	184.0	< 215	< 215
Plant Planned Maintenance Ratio (Hours)	61.3%	67.9%	69.4%	68.8%	> 60%	> 60%
Collections Planned Maintenance Ratio (Hours)	88.5%	99.2%	99.2%	99.6%	> 90%	> 90%

Strategic Objectives:**Completion:**

3A:	Continue to work with local partners on projects and programs that result in efficiencies and cost savings	Ongoing
3B:	Enhance plans and training associated with resiliency, disaster mitigation and disaster recovery	Ongoing
3C:	Evaluate and study the potential impacts of sea/river level rise, prolonged drought, and increased winter storm intensity	Ongoing
3D:	Continue to study the expansion of accepting and treating winery waste through alternative methods	Ongoing

Related Department Objectives:

- Complete NapaSan’s 12th annual Performance Measurement Report (Administrative Services)
- Continue to respond to the needs of the community in a timely and professional manner within 30 minutes, while trying to reduce the number of emergency service calls (Collection System)
- Continue to maintain efficiency of preventive maintenance operations, cleaning at least 40% of NapaSan sewer mains per year (Collection System)
- Video inspect 10% of the sewer mains in NapaSan’s system (Collection System)
- Continue root foaming sewer mains as needed, including related laterals and manholes, to reduce root intrusion (Collection System)
- Assist with planning and training associated with resiliency, disaster mitigation and recovery (Safety, Training and Fleet Maintenance)
- Evaluate and plan for potential impacts of sea/river level rise, prolonged drought, and increased winter storm intensity (Engineering)
- Continue producing an effluent that meets the NPDES permit requirements (Plant Operations)
 - Implement the new Environmental Laboratory Accreditation Program (ELAP) certification requirements (Regulatory Compliance)
 - Review and update operational data sampling and analysis management for an efficient process control operational strategy (Regulatory Compliance)
 - Review and return development plans within 30 days of submittal to NapaSan (Engineering)
 - Continue to study the expansion of accepting and treating winery waste through alternative methods (Engineering)



Sewer repair on Silverado Trail

Goal 4: Employee Development

The goal is to maintain a dynamic and skilled workforce through employee engagement, professional development and opportunities for advancement. The NapaSan Board wants to create a positive and respectful working environment that encourages all employees to do the best job possible for the NapaSan ratepayers.

Key Performance Indicators

Indicator	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Target 2021	Target 2022
Safety Training Completed On-Time	93.3%	94.0%	92.4%	93.4%	> 90%	> 90%
Employee Survey: “I feel valued by my work unit.”	86.8%	79.5%	88.4%	N/A	> 70%	> 70%
Employee Survey: “I tell others that NapaSan is a great place to work.”	77.8%	87.2%	95.3%	N/A	> 70%	> 70%
Employee Survey: “I will look for work outside NapaSan this next year.”	57.9%	64.1%	46.5%	N/A	< 35%	< 35%
Employee Survey: “Efforts are being made to capture critical institutional knowledge...”	3.68	3.26	3.30	N/A	> 3.5	> 3.5

Strategic Objectives:**Completion:**

4A:	Promote NapaSan as a progressive, professional workplace through engagement and the development and promotion of internships and “in training” programs	Ongoing
4B:	Conduct Employee Surveys, as appropriate	Ongoing
4C:	Prepare for and begin MOU negotiations of Year-Two Reopener	June 2022
4D:	Address succession planning through supervisory/management training and an internal mentorship program	Mar 2022

Related Department Objectives:

- Continue to provide direction to all departments, aligning efforts to promote and be consistent with NapaSan’s goals and policy directives (General Manager’s Office)
- Oversee changes derived from the Fall 2017 Employee Survey and conduct next employee survey in Fall 2022 (General Manager’s Office)
- Provide support to departments through recruitments and internship programs (Administrative Services)
- Continue efforts in succession planning, including training and mentorship programs (Administrative Services)
- Maintain a Business Continuity Plan for operations during disasters, and integrate NapaSan in the city and county’s emergency response systems (Safety, Training and Fleet Maintenance)
- Gather, store and disseminate asset and work information in an economical way with completeness and accuracy, including sharing with other departments in NapaSan and others as needed (Collection System)
- Assist in MOU Negotiations of Year-Two Reopener (Administrative Services)



Lab analyst conducting bioassay test

Goal 5: Community Outreach and Communication

The goal is to provide ratepayers with the information they need to understand NapaSan’s mission, operations, finances and rate structures. The Board wants to ensure that NapaSan operates in a transparent manner, communicates the value of NapaSan’s services, and serves as a resource to all ratepayers of the service area.

Key Performance Indicators

Indicator	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Target 2021	Target 2022
Media Coverage Quantity	21	29	17	11	> 15	> 15
Media Coverage Accuracy	95%	100%	100%	100%	> 85%	> 85%
Customer Satisfaction-Plug Ups (percent “good” or “excellent”)	99.1%	99.4%	99.3%	94.6%	> 95%	> 95%
Customer Satisfaction-Cleanouts (percent “good” or “excellent”)	95.9%	100%	91.4%	100%	> 95%	> 95%

Strategic Objectives:**Completion:**

5A:	Inform and engage the community and stakeholders to increase and promote understanding of NapaSan services, rates and key messages	Ongoing
5B:	Proactively communicate with the public, stakeholders and the press regarding current programs, accomplishments, projects, and news	Ongoing
5C:	Collaborate with other local agencies and groups to meet common goals	Ongoing
5D:	Build and maintain relationships with community leaders, elected officials and stakeholders	Ongoing

Related Department Objectives:

- Work with community partners to promote NapaSan’s services and rate structure (Community Outreach & Pollution Prevention)
- Respond to requests for information from the general public and other local agencies within three working days of request (Engineering)
- Partner with local agencies for collection of unwanted medications from drop-off sites (Community Outreach & Pollution Prevention)
- Conduct plant tours and make public presentations (Community Outreach & Pollution Prevention)
- Promote and deliver classroom presentations targeting elementary school students (Community Outreach & Pollution Prevention)
- Continue public outreach on proper disposal of fats, oil and grease (FOG) (Community Outreach & Pollution Prevention)
- Develop and disseminate to stakeholders pollution prevention BMPs as necessary (Community Outreach & Pollution Prevention)
- Organize 3rd Annual citizens Academy
- Continue Spanish language outreach for pollution prevention messages (Community Outreach & Pollution Prevention)

Goal 6: Resource Recovery

The goal is to implement policies and technologies to recover resources from wastewater for beneficial reuse. The NapaSan Board wants to recover resources for reuse when economically viable and a market exists for their beneficial reuse. NapaSan must also use the resources available to ensure a reliable energy supply during emergency conditions as well as during normal times.

Key Performance Indicators

Indicator	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Target 2021	Target 2022
Recycled Water Reused on Non-District Property	83.1%	91.6%	87.9%	94.8%	> 85%	> 85%
Self-Generated Electricity	40.8%	55.8%	49.4%	50.3%	> 50%	> 50%
Biosolids Beneficially Reused	100%	100%	100%	100%	> 95%	> 95%
Digester Gas Beneficial Reuse	84.1%	93.3%	95.8%	96.5%	> 90%	> 90%

Strategic Objectives:**Completion:**

6A:	Evaluate current recycled water allocation policy annually	Ongoing
6B:	Renew recycled water user agreements	June 2022
6C:	Participate with local and regional partners on long-term opportunities for water reuse	Ongoing
6D:	Develop a partnership with cities of Napa and American Canyon to complete a preliminary feasibility study for developing a “purified water” potable reuse program	Ongoing
6E:	Evaluate energy self-generation with the primary goal of decreasing overall energy costs and reliance on the energy grid	Sep 2022
6F:	Improve recycled water quality to increase appeal and acceptability of recycled water to current and future users	Apr 2022

Related Department Objectives:

- Represent NapaSan at the North Bay Water Reuse Authority, specifically working to bring federal money to the region for recycled water projects (General Manager’s Office)
- Continuous process optimization of the plant control systems to achieve a reduction in chemical and energy costs (Plant Operations)
- Receive fats, oil and grease (FOG) collected from siphon to the receiving station (Plant Operations)

- Optimize production of biogas in digester resulting from FOG receiving program (Plant Operations)
- With the City of Napa, promote the Recycle More Program that provides curbside collection of used cooking oil for use as biofuel (Community Outreach & Pollution Prevention)
- Distribute 2,895 acre feet of recycled water, with 95% sold to customers (Water & Biosolids Reclamation)
- Facilitate additional recycled water conversions in the MST and Los Carneros Water District areas (Water & Biosolids Reclamation)
- Put 100% of the biosolids applied to NapaSan land to beneficial reuse, through active agricultural practices on the land (growing crops, grazing sheep, etc.) (Water & Biosolids Reclamation)
- Work with local partners to achieve long-term recycled water goals
- Continue planning efforts within the North Bay Water Reuse Project for future development of recycled water programs and EIR/EIS documentation (Capital Improvement Program)

Goal 7: Regulatory Compliance

The goal is to implement policies, best practices and capital investments to ensure compliance with all federal, state and local regulatory requirements. The NapaSan Board wants NapaSan to comply with all existing and future regulatory requirements. This includes its NPDES permit, SWRCB and RWQCB general orders, BAAQMD permits, Cal/OSHA standards, and other federal, state and local laws.

Key Performance Indicators

Indicator	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Target 2021	Target 2022
Compliance with NPDES Permit	100%	100%	100%	100%	100%	100%
Sanitary Sewer Overflows (Cat. 1) per 100 miles of main	13.64	0.74	6.64	0.37	0.0	0.0

Strategic Objectives:

Strategic Objectives:		Completion:
7A:	Negotiate a new NPDES permit with the RWQCB	Aug. 2021
7B:	Stay current on proposed state and federal legislation that could positively or negatively impact NapaSan's current or future operations	Ongoing

Related Department Objectives:

- Engage with professional associations to remain aware of potential regulatory and legislative changes (General Manager's Office)
- Continue producing an effluent that meets the NPDES permit requirements (Treatment Plant Operations)
- Implement new Environmental Laboratory Accreditation Program (ELAP) certification requirements

Financial Policies Summary

NapaSan maintains, and regularly reviews and revises, a comprehensive set of Financial Policies to govern the overall financial management and health of the District.

Policy areas include:

- Reserves
- Revenue
- Budgeting and Capital Asset Management
- Debt Issuance and Management
- Investments
- Financial Reporting
- Accounting
- Pension and OPEB

Several of the Financial Policies have direct impact on the construction of the budget:

- Balanced Budget – NapaSan maintains a balanced budget and does not use long-term debt to fund short-term or operational expenses.
- Operating Reserves – NapaSan maintains an operating reserve at least equal to 15% of budgeted annual operating expenses, excluding transfers.

- Liquidity – NapaSan maintains a liquidity reserve to ensure adequate cash is on hand to cover expenses in those months where expenses outpace revenues. The majority of NapaSan’s revenues are received in December and in April through property assessments.
- Revenues – NapaSan estimates revenues conservatively and does not use one-time or unpredictable revenues to fund ongoing expenses.
- Maintenance – NapaSan protects its investment in its capital assets by budgeting for their adequate maintenance as a priority.
- Debt – NapaSan will not issue debt unless it can pay the debt service and still meet its other obligations from current revenues.
- Pension and OPEB – NapaSan will budget for payments to CalPERS and the OPEB Trust to reduce long-term liabilities.

A complete copy of the Financial Policies can be found in Appendix D of this document.

Compliance with Financial Policies

NapaSan is in full compliance with the Financial Policies, last updated in May 2018, as described above and provided in their entirety in Appendix D.

Specifically, NapaSan has taken the following actions to ensure compliance with the Financial Policies:

- The annual operational expenditures for NapaSan, including debt service, are less than the annual operating revenue forecasted to be received, meeting the requirement for a balanced budget.
- NapaSan has designated an Operating Reserve of at least 15% of budgeted operating revenues and a Cash Flow/Liquidity Reserve of \$10,351,000. These reserves meet the minimum requirements established in the Financial Policies.

Financial Policy Compliance		
NSD Policy	Target	FY 21/22
Balanced Budget	Operating revenues minus operating expenditures & debt service \geq \$0	\$12,909,500
Operating Reserve	\geq 15% of Operating Budget	26.1%
Cash Flow Reserve	As necessary	\$10,351,000
Debt Coverage Ratio	\geq 1.25x coverage	3.57x
Pension Funding	CalPERS minimum plus additional UAL contribution	Minimum plus additional UAL contribution
OPEB Contribution	100% of ADC	100% of ADC

- NapaSan has estimated revenues conservatively for the current fiscal year. Additionally, one-time revenue sources have not been used to balance the operating budget, and there are no “unpredictable” revenues forecast in the budget or used to balance the budget.
- NapaSan has adequately budgeted to meet all of its debt service requirements, and has maintained its debt service coverage ratio at a level higher than is required by bond covenants.
- There are adequate revenues available to transfer to the Capital Projects Fund to meet the near-term needs in the Capital Improvement Plan.
- Pension contributions include an additional \$505,340 payment toward the Unfunded Actuarial Liability (UAL) above the minimum required payment to CalPERS.
- Contribution to Other Post-Employment Benefits (OPEB), including current retiree medical and contributions of the normal cost for current employees to an OPEB trust, equal 100% of the Actuarially Determined Contribution (ADC).

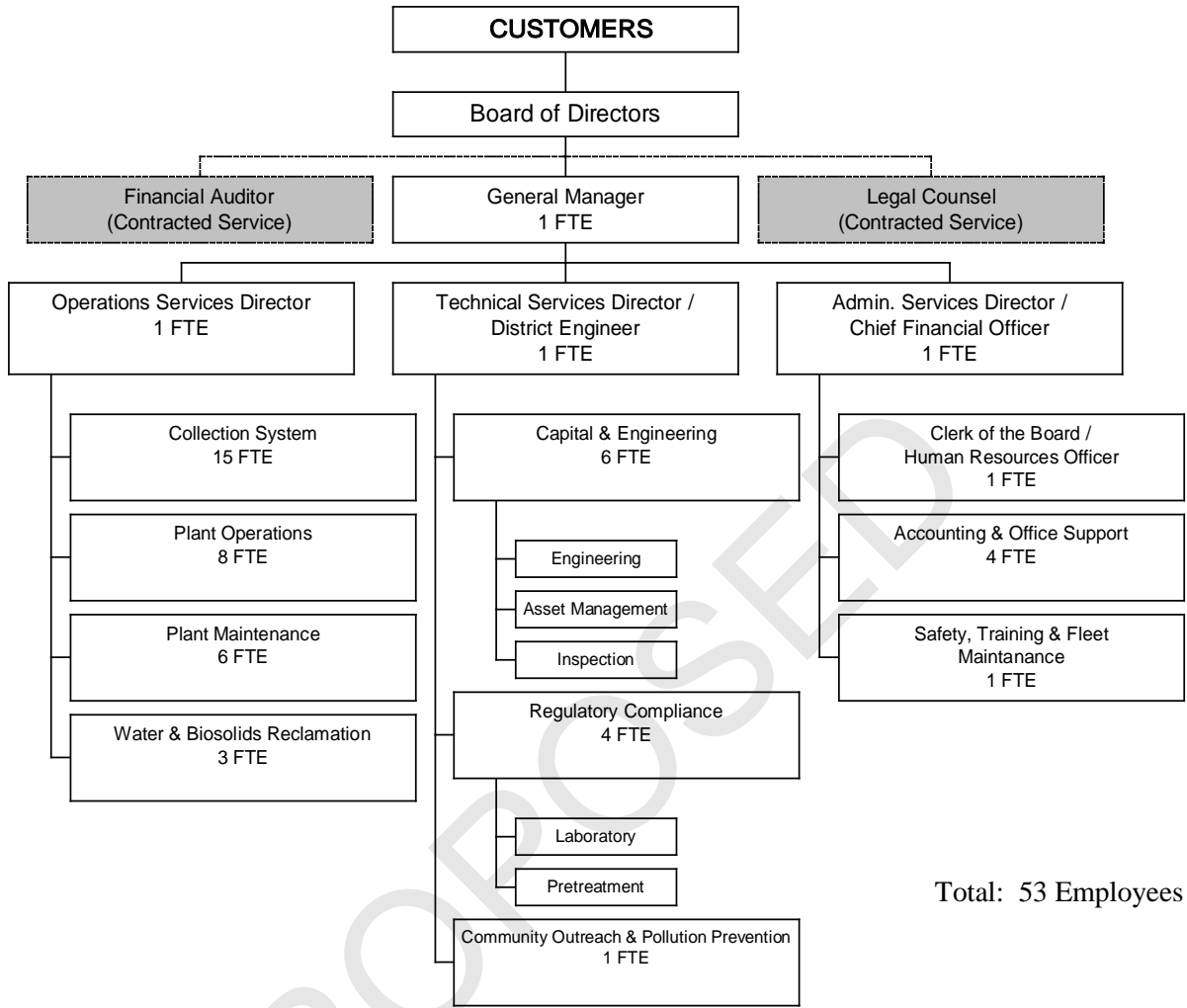
Organization

The Napa Sanitation District is governed by a Board of Directors. Two directors are members of the Napa City Council. One director is a member of the Napa County Board of Supervisors. Two directors are citizen appointees, one appointed by the City and one by the County. NapaSan is managed by a General Manager.

The Financial Auditor and the Legal Counsel for NapaSan are contracted services. These functions report directly to the Board. All other functions report to the General Manager. NapaSan is organized into three departments, Operations Services, Technical Services and Administrative Services, each headed by a Director. Under each Director, there are several departments, as described below.

- **Operations Services** includes those divisions associated with operations and maintenance. They include the following functions:
 - **Collection System Maintenance:** includes preventive and corrective maintenance and operation of the sewer system. This Division includes “Collection System Maintenance” in the Expenditure Budgets by Division section of this budget document.
 - **Wastewater Treatment Plant Operations:** includes operation of the wastewater treatment plant and lift stations. This Division includes “Treatment Plant Operations,” in the Expenditure Budgets by Division section of this budget document.
 - **Wastewater Treatment Plant Maintenance:** includes mechanical and electrical maintenance of the wastewater treatment plant and lift stations. This Division includes “Treatment Plant Maintenance” in the Expenditure Budgets by Division section of this budget document.
 - **Water and Biosolids Reclamation:** includes recycled water system management and disposal of biosolids through land application. This Division includes “Water & Biosolids Reclamation” in the Expenditure Budgets by Division section of this budget document.
- **Technical Services** includes those divisions associated with planning and implementing capital projects and asset management, construction inspection and overseeing regulatory compliance functions. They include the following functions:
 - **Capital & Engineering:** includes development review, capital project management, project design/engineering and inspection. This Division includes “Engineering” in the Expenditure Budgets by Division section of this budget document.
 - **Regulatory Compliance:** includes all regulatory compliance and reporting functions, including the laboratory, pretreatment, and regulatory reporting. This Division includes “Treatment Plant Laboratory” and “Pollution Prevention” in the Expenditure Budgets by Division section of this budget document.
 - **Community Outreach and Pollution Prevention:** includes media relations, ratepayer communications, stakeholder engagement and educational programming. This Division includes “Community Outreach & Pollution Prevention” in the Expenditure Budgets by Division section of this budget document.
- **Administrative Services:** includes finance and accounting services, human resources, risk management, safety and training, fleet management, and general administrative services. This Department includes “Board of Directors,” “General Manager’s Office,” “Administrative Services,” “Safety, Training & Fleet Maintenance,” and “Non-Departmental Expenses” in the Expenditure Budgets by Division section of this budget document.

Organization Chart



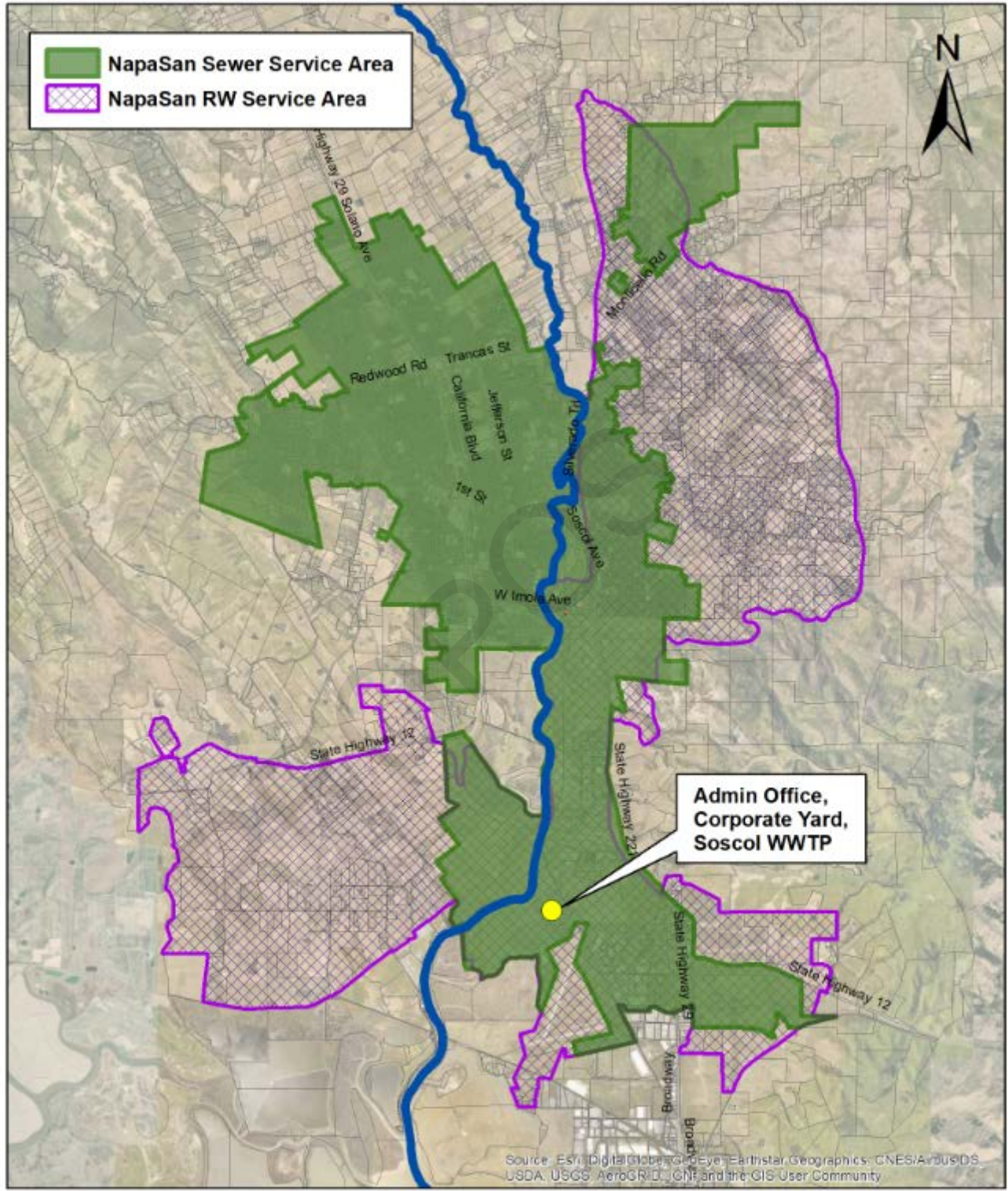
Total: 53 Employees

**Napa Sanitation District
Position Control Roster**

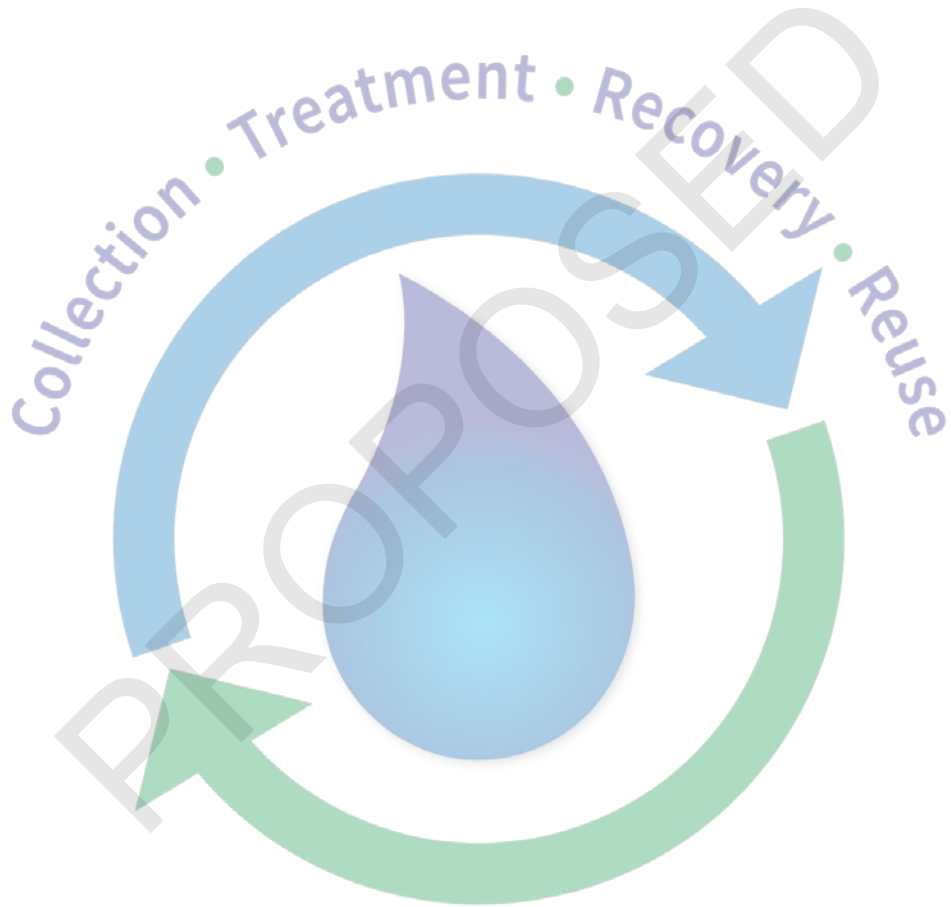
As adopted on July 1

Position Series (excluding Board Members)	FY 18/19 Adopted	FY 19/20 Adopted	FY 20/21 Adopted	FY 21/22 Proposed
General Manager's Office				
General Manager	1	1	1	1
Administrative Services				
Director of Administrative Services/CFO	1	1	1	1
Human Resources				
Clerk to the Board/Human Resources Officer	1	1	1	1
Accounting				
Senior Accountant	1	1	1	1
Accountant	1	1	1	1
Administrative Assistant I/II	2	2	2	2
Safety, Training and Fleet Maintenance				
Safety, Training & Fleet Maintenance Officer	1	1	1	1
Operations Services				
Director of Operations Services	1	1	1	1
Collections System Maintenance				
Collection System Manager	1	1	1	1
Collection System Supervisor	1	1	1	1
Collection System Technician	1	1	1	1
Collection System Worker III	2	2	2	2
Collection System Worker IT/I/II (freeze one position)	10	10	10	10
Treatment Plant Operations				
Plant Operations Supervisor	1	1	1	1
Operator OIT/I/II/III	7	7	7	7
Treatment Plant Maintenance				
Plant Maintenance Supervisor	1	1	1	1
Equipment Maintenance Specialist I/II	4	4	4	4
Plant Attendant (freeze FY 20/21)	1	1	1	1
Water & Biosolids Reclamation				
Reclamation Systems Manager	1	1	1	1
Reclamation Maintenance Worker I/II	2	2	2	2
Technical Services				
Director of Technical Services	1	1	1	1
Engineering				
Capital Projects Manager/Senior Civil Engineer	1	1	1	1
Junior/Assistant/Associate Engineer	2	2	2	2
Asset Management Analyst	1	1	1	1
District Inspector I/II	2	2	2	2
Regulatory Compliance				
Regulatory Compliance Manager	1	1	1	1
Laboratory Technician I/II	3	3	3	3
Community Outreach & Pollution Prevention				
Pollution Prevention and Outreach Specialist	1	1	1	1
Totals	53	53	53	53

Map of NapaSan Sewer and Recycled Water Service Area



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NapaSan

Budget Summary

Fund Structure

NapaSan has one fund. This fund includes all District revenues, including restricted revenues. The fund also includes all District expenditures, including operating expenditures, debt service and capital expenditures. Under this structure, restricted revenues (including associated interest earnings) are still accounted for separately and discretely, as required by state law.

Basis of Accounting

The Basis of Accounting refers to the specific time and method at which revenues and expenses are recognized in the accounts and reported in the financial statements. The Basis of Accounting for NapaSan in its financial statements is full accrual. However, the budget is adopted on a modified accrual basis of accounting consistent with Generally Accepted Accounting Principles (GAAP). Under the modified accrual basis, revenues are recognized when they are susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the related liability is incurred. Capital expenditures and debt principal payments are included in the annual adopted budget and used as a limit on expenditures, but these expenditures are removed when recorded in the financial statements to conform to GAAP.

Basis of Budgeting

NapaSan’s budgetary procedures conform to state regulations and Generally Accepted Accounting Principles. While NapaSan uses full accrual accounting in its annual financial statements, NapaSan uses a modified accrual basis of accounting for budgeting and reporting on budgeted versus actual expenditures in its monthly and quarterly reports. The following are some of the differences between the way NapaSan budgets and the way it accounts for revenues and expenses in its financial statements:

- Grant revenues are budgeted on a modified cash basis rather than an accrual basis;
- Fixed assets are depreciated for some financial reporting, but are fully expensed in the year acquired for budgetary purposes; and
- Capital expenditures and debt principal payments are budgeted as expenses for budget authority and compliance purposes.

NapaSan budgets this way so that it is easier for rate payers and stakeholders to see and track different types of expenses within the budget.

Budget Appropriation

Budgets are adopted for all expenditures. Total operating expenses and total capital expenses are adopted as separate appropriations. The General Manager is authorized to transfer an unlimited amount of appropriation between operating departments so long as the total operating expense appropriation does not increase. The General Manager is also authorized to transfer appropriation between capital projects as long as the total capital appropriation does not increase.

Only the Board of Directors can increase the total allowable operating and capital appropriations. The General Manager is authorized to hire regular employees up to the number approved by the Board of Directors, in accordance with the Position Control Roster.

Budget appropriations lapse at the end of the fiscal year. Unspent amounts on specific capital and operations projects may be carried forward to the following fiscal year only with the authorization of the Board of Directors.

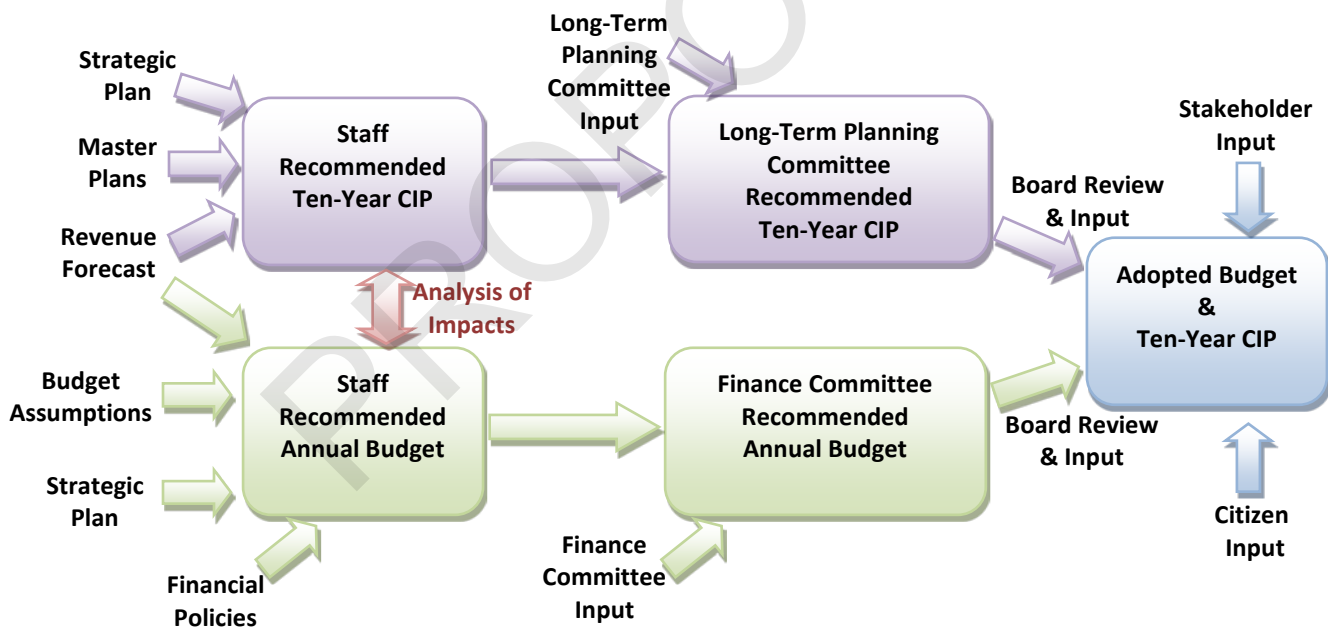
Budget Development Process

The budget process begins each year with a review of current expenditures, to determine how well the budget plan is working. Unanticipated expenses are identified, and revenue and expenditure patterns are analyzed. This information is presented to the Finance Committee, a subcommittee of the full Board of Directors. With this information, the Finance Committee, the General Manager and the Chief Financial Officer develop recommendations on assumptions and policy direction for the next budget year. These recommendations are brought to the full Board of Directors for input and approval.

With this direction, department managers develop line item proposals. At the same time, the Capital Program Manager works with department managers to update the Ten-Year Capital Improvement Plan (CIP). Proposals are made to the Chief Financial Officer and General Manager, who review the proposals and make changes, as appropriate.

The proposed Operating Budget is provided to the Finance Committee, a subcommittee of the Board of Directors, who reviews the budget for consistency with the Board's budget direction and to ensure that there are adequate resources aligned to meet Board priorities. The proposed CIP is provided to the Long Term Planning Committee, a subcommittee of the Board of Directors, to review the CIP. Both committees make reports and recommendations to the full Board of Directors.

The proposed budget and CIP are presented to the Board of Directors, and meetings are held to seek input from interested stakeholders and the general public. The Board can direct staff to make changes to the proposed budget. All of the changes are then compiled and presented to the Board for final adoption of the budget and CIP.



Budget Amendment Process

During the year, the budget can be increased through a budget amendment resolution, voted on and approved by a majority of the Board of Directors during a regular board meeting. There is no legal restriction on the amount or frequency that the budget can be amended.

Budget Calendar for FY 2021/22

Jan. 21, 2021	Finance Committee meeting, to discuss budget development calendar, assumptions for next year, and policy direction.
Feb. 17, 2021	Budget direction and assumptions confirmed with Board of Directors.
Jan. to April	Staff develops proposed budget and Ten-Year CIP.
April 15, 2021	Finance Committee makes recommendations.
April 22, 2021	Long Term Planning Committee reviews Ten-Year CIP and makes recommendations.
May 5, 2021	Board of Directors receives and discusses the Proposed Operating Budget for FY 2021/22.
May 19, 2021	Board of Directors receives and discusses the Ten-Year CIP for FY 2021/22 through FY 2030/31.
June 2, 2021	Board of Directors adopts the FY 2021/22 Operating and Capital Budget and Ten-Year CIP.

Sources of Funds/Revenues

NapaSan has a stable revenue foundation, with 70% of NapaSan's FY 21/22 total revenues coming from sewer service charges collected as assessments on property tax bills (excluding loan proceeds, the number is about 84%). Other significant revenue sources include capacity charges, recycled water sales, wastehauler fees, land leases, and interest earnings.

Sewer service charges (SSC's) are the fees charged to residences and businesses for sewer use. For most residences and businesses, these fees are paid annually as assessments on property tax bills. Some industrial and commercial customers are charged monthly, rather than annually, based either on water usage or actual sewer flows.

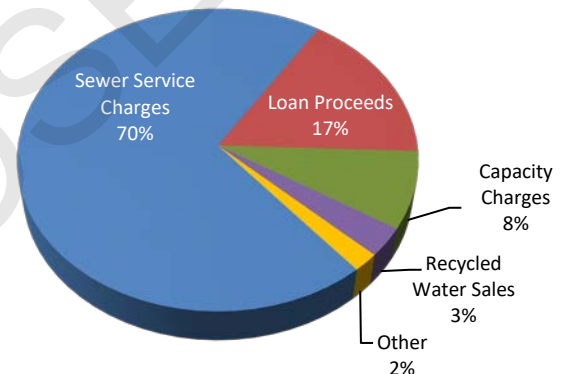
Sewer service charges are a highly distributed revenue source for NapaSan. The top ten sewer service customers represent only 8.9% of revenue from this category. This lack of concentration equates to a more stable revenue stream and is less susceptible to fluctuations in the economy or local business climate.

Sewer service charges are subject to California's Proposition 218, which requires that increases to the fee be noticed to all property owners, with the opportunity to protest the increase through letters and statements at a public hearing. If there is a majority of the property owners in protest of the fee increase, the increase cannot proceed.

NapaSan followed the Proposition 218 process in March 2021, providing the necessary notices and holding a public hearing. A cost of service study was conducted and recommended a modification to the calculation of sewer service charges. The fee was set to remain the same for the next five (5) years. However, the new fee calculation will distribute the cost of providing sewer service equitably among the different customer classes. FY 2021/22 is the first year and is set to remain at \$738.60 per Equivalent Dwelling Unit (EDU).

Source of Funds Total = \$43,390,800

(excluding intrafund transfers)



Sewer Service Charges Fee Schedule

	Charge per EDU	% Increase
FY 17/18	\$638.10	15.0%
FY 18/19	\$676.38	6.0%
FY 19/20	\$710.20	5.0%
FY 20/21	\$738.60	4.0%
FY 21/22	\$738.60	0.0%

Sewer service charges revenue is forecasted for FY 2021/22 based on the estimated number of EDUs and the sewer service charge fee of \$738.60 per EDU. The total budgeted revenue is adjusted by a small percentage to account for delinquencies and non-payments.

Capacity charges, sometimes referred to as “connection fees” or “impact fees,” are fees paid by developers to pay for

expanded capacity in the sewer collection and treatment systems to convey and treat wastewater. They are also paid by commercial or industrial customers who expand the use of sewer services at their facilities.

Capacity charges are forecasted for the next year based on the cost per EDU and an assumed growth rate of 200 EDUs being

developed during the fiscal year. The annual capacity charge fee increase is based on the Engineering News Record Construction Cost Index for the United States 20-City Average (February-to-February). For February 2021, there was a 2.7% increase to the index compared to prior year. (Note, in October 2018, the capacity charge was decreased from \$9,624 to \$9,520.)

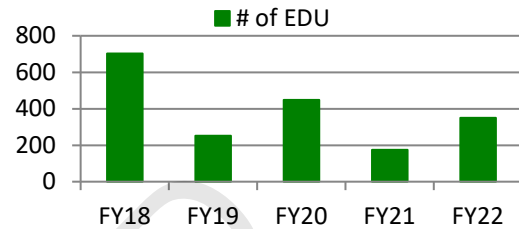
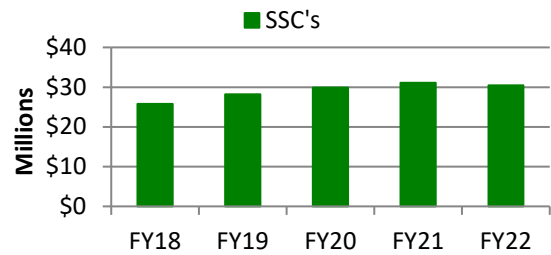
Recycled Water Sales are collected from customers who purchase recycled water from NapaSan. Most recycled water is used for landscape irrigation or agriculture. The demand for recycled water is almost exclusively during the May to October period.

Recycled water sales are forecast to be about 2,300 acre-feet (772 million gallons). Recycled water usage has increased significantly due to dry weather conditions over the last year. Connections to the recycled water system has been slow but steady as more customers in the MST and Los Carneros Water District areas begin to connect.

Recycled water rates are set on a calendar year basis. In January 2021, the rates increased to \$1.93 per 1,000 gallons in the peak demand period, with lower rates for off-peak use and for those customers that enter long-term contracts for significant water use. This rate includes an additional 2% increase to begin funding the recycled water renewal and replacement reserve.

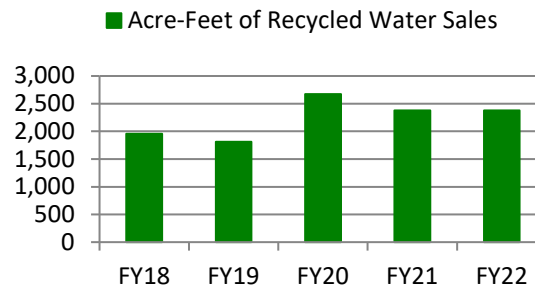
Recycled water sales are affected by the weather. Cooler, wetter spring and summer months result in less need to irrigate and therefore lower volumes of water are sold.

Land Leases generate revenue for the District. NapaSan currently has one property lease agreement. It has an inflation factor identified within it. The revenue forecast is set based on the lease agreement. At the end of 2020, the largest lease (Somky Ranch) was terminated. Management is evaluating options for leasing that or other parcels to reestablish lease revenues.



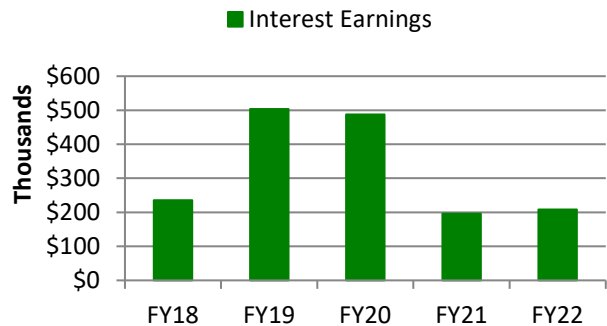
Capacity Charges Fee Schedule

	Charge per EDU	% Change
FY 18	\$9,299	3.8%
FY 19	\$9,624	3.4%
FY 19	\$9,520	(1.1%)
FY 20	\$9,803	3.0%
FY 21	\$9,959	1.6%
FY 22	\$10,228	2.7%



Interest Earnings is the revenue NapaSan receives on idle cash and reserves that it maintains in its accounts. Cash is invested by the County of Napa Treasurer on NapaSan's behalf and in accordance with state law, and posted to NapaSan's accounts quarterly.

The Federal Funds rate still remains low in an effort to counter the negative financial impacts due to COVID-19. The forecast assumes interest earnings will remain low and is projected to be 1.0% in FY 21/22.



REVENUE - ALL SOURCES

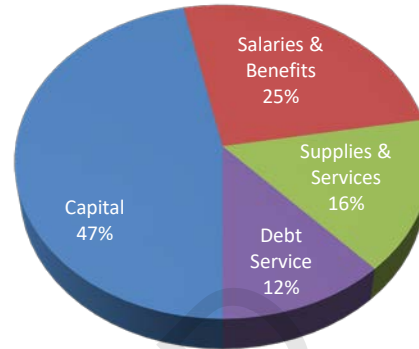
Account Description	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Proposed FY 21/22	Percent Change
780 - Operations						
Interest: Invested Funds	503,127	483,439	196,000	196,000	208,000	6.1%
Rent - Building/Land	415,668	131,631	129,000	234,000	137,000	6.2%
Construction/Bldg Permit Review Svcs	113,530	136,931	123,000	123,000	125,500	2.0%
Hauler Fees	196,916	184,272	197,000	160,000	283,000	43.7%
Sewer Usage Fees	28,018,017	29,576,130	31,112,000	30,034,000	30,487,000	(2.0%)
State - Other Funding	-	-	-	-	-	-
Penalties on Delinquent Sewer Fees	21,296	27,134	10,000	20,000	10,000	-
Recycled Water Sales	858,343	1,298,071	1,001,000	1,200,000	1,343,000	34.2%
Miscellaneous	63,726	35,882	52,000	41,000	54,000	3.8%
Total - Operations	30,190,621	31,873,490	32,820,000	32,008,000	32,647,500	(0.5%)
781 - Capital Improvement Projects						
Interest: Invested Funds	-	-	-	-	-	-
Federal Grants - USBR & FEMA	(15,303)	-	-	-	-	-
Other Government Agencies	693,659	340,776	-	-	-	-
Miscellaneous	-	-	5,000	5,000	5,000	-
Bond/Loan Proceeds	-	2,215,178	27,249,900	32,651,422	7,133,300	(73.8%)
Sale of Capital Assets	(9,516)	(59,331)	25,000	25,000	25,000	-
Intrafund Transfers In	11,835,558	4,266,561	10,992,000	1,742,800	12,580,000	14.4%
Total - Capital Improvement Projects	12,504,398	6,763,184	38,271,900	34,424,222	19,743,300	(48.4%)
782 - Expansion						
Interest: Invested Funds	900	3,961	-	1,000	-	-
Capacity Charges	2,396,746	4,403,474	1,992,000	1,742,800	3,580,000	79.7%
Total - Expansion	2,397,646	4,407,435	1,992,000	1,743,800	3,580,000	79.7%
Total - All Departments	45,092,665	43,044,109	73,083,900	68,176,022	55,970,800	(23.4%)

Uses of Funds/Expenditures

NapaSan expenses can be described in four major categories: salaries and benefits, services and supplies, capital expenses and debt service.

Use of Funds
Total = \$43,131,300
 (excluding intrafund transfers)

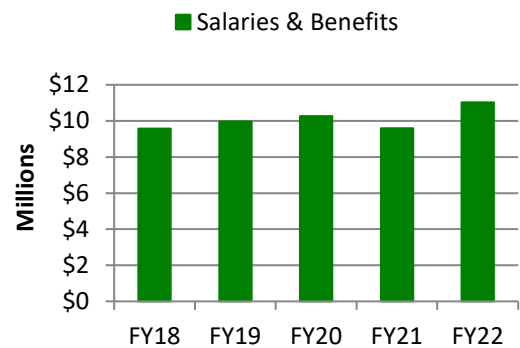
Salaries and benefits are those expenses related to payroll and staffing. They include salary and wages of employees, overtime, payroll taxes such as Medicare, health insurance benefits, and retirement benefits. This category also includes expenses for funding NapaSan’s OPEB (“Other Post-Employment Benefits”) liability.



Labor agreements went into effect on July 1, 2020, and will expire on June 30, 2024. Salary increases for cost of living adjustments were set for FY 2020/21 and FY 2021/22. The labor agreement will reopen to negotiate an appropriate salary increase for FY 2022/23 and FY 2023/24. Market adjustments to salaries for certain positions were negotiated and will be phased in over the four-year term of the agreement. Individual salaries were also adjusted, with some employees moving up steps within their current classification and vacancies budgeted at the mid-range step. In FY 2020/21, due to the uncertainty of the financial impact of COVID-19, the budget for many operating expense items were reduced or eliminated, including freezing two vacant positions. These two vacancies have been added back in for FY 2021/22. Salaries are budgeted to increase 11.5% over prior year due to the adjustments and a reduced budget in FY 2020/21.

Health benefits are known for the first two quarters in FY 2021/22. The budget assumes a 7% increase in employer costs for the last two quarters. The overall budget for insurance premiums increases by 13.2% compared to last fiscal year as a result of adding back in the two vacant positions that were not filled in FY 2020/21.

Retirement benefits are budgeted based on a percentage of budgeted salary. That percentage is determined by CalPERS based on actuarial assumptions regarding retirement rates and investment earnings. In the past, NapaSan paid both the employer and employee contribution for retirement benefits. Under the last MOUs, the employees picked up 6.75% of the employee contribution for FY 2019/20. The employees will pick up the entire 8% of the employee contribution in the new MOUs starting in FY 2021/22. The minimum retirement cost contribution to CalPERS increased by 12.8%. The budgeted amount is 43.6% higher than prior year and includes an additional \$505,000 payment toward this liability. The additional contribution payment was not included in FY 2020/21 budget as a way to reduce operating expenses. NapaSan had a “side fund” for increased benefits provided to its employees twenty years ago. The final payment was made in FY 2019/20, which caused a decrease in the minimum contribution. NapaSan’s financial policy encourages the use of freed up budgetary capacity to use towards additional CalPERS payments.

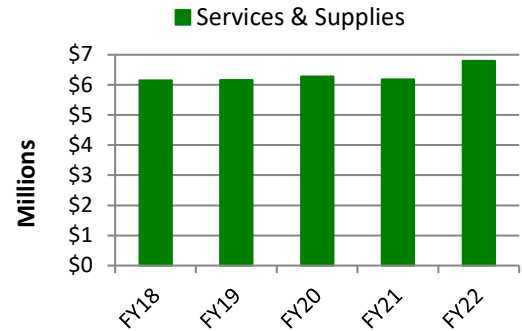


Payments in lieu of health benefits are expected to decrease by 6.6%. The eligibility of this benefit was changed in the last MOUs. As long-time employees separate from NapaSan and new employees come on board, less employees are eligible and the cost of this benefit decreases.

Workers' compensation insurance costs are lower than prior year by 2.0% based on a decrease in the Experience Modification ("X-Mod") Rate.

In total, the salaries and benefits budget increases 14.9% over the prior fiscal year.

Services and supplies include the purchase of supplies and equipment to maintain and operate the various systems in NapaSan. It also includes a number of service contracts and professional contracts.



EXPENSES - OPERATING AND CAPITAL

Account Description	Actual FY 18/19	Actual FY 19/20	Adj. Budget FY 20/21	Estimated FY 20/21	Proposed FY 21/22	Percent Change
Salaries & Benefits	\$11,514,082	\$10,196,229	\$9,590,300	\$9,465,181	\$11,021,800	14.9%
Services & Supplies	5,078,785	5,186,754	6,410,700	5,904,198	6,796,650	6.0%
Capital Expenses	15,770,574	13,319,646	65,903,450	57,137,587	20,128,300	(69.5%)
Debt Service	4,597,161	4,594,202	4,588,000	4,588,000	5,149,550	12.2%
Taxes & Assesments	40,691	42,025	42,400	34,220	35,000	(17.5%)
Total All Expenses	\$37,001,293	\$33,338,857	\$86,534,850	\$77,129,186	\$43,131,300	(50.2%)

(excluding intrafund transfers)

(presented on budgetary basis – does not conform to GAAP)

Total services and supplies for FY 2021/22 are budgeted to be 6.0% higher than the prior fiscal year's adjusted budget. Adjustments that were made to reduce the FY 2020/21 budget to accommodate the reduction in revenues forecasted for the following two years were added back into the budget. The marsh dredging project that was postponed last year is included for this year. The internship positions have been added back in for FY 2021/22. In addition, the training and conference budget was brought back to its normal funding level after being reduced by 50% last year. Some increased expenses were unanticipated. Property liability insurance will see a 50.0% increase. The risk pool authority states that the increase is due to the wildfires in California and other catastrophic events around the world. Electricity is up 24.1% due to an increase in recycled water production. However, the chemicals budget decreases 9.7% due to changes made to reduce chemical usage.

Capital expenses include expenses to build or acquire any capital asset, or to rehabilitate and extend the useful life of existing assets. Details of these expenses can be found in the Ten-Year Capital Improvement Plan (CIP), later in this budget document. Significant projects in the FY 2021/22 capital plan include the completion of the Summer 2021 and the start of construction of the Summer 2022 collection system rehabilitation projects, the completion of the Browns Valley trunk project and replacement of the West Napa Pump Station, the completion of the rehabilitation of the 66-inch Trunk Main, the completion of the Wastewater Treatment Plant Master Plan and completion of the 2021 Treatment Plant Improvements Project.

Debt service includes the principal and interest payments for all of NapaSan's outstanding loans. Debt service is approximately \$5.1 million, which includes the new debt service for the 66" Trunk (Kaiser Road to IPS) Rehabilitation project and a portion of the 2022 Collection System Rehabilitation project. Financing begins in FY 2022/23 for the Browns Valley Road Trunk and West Napa Pump Station Rehabilitation projects (SRF loan). More details on this new debt issuance can be found in the Debt section of this budget document.

Intrafund Transfers Out represent the following intrafund transfers:

- from Operations into the Capital Projects account (\$9,000,000)
- from Expansion into the Capital Projects account (\$3,580,000)

These intrafund transfers are between accounts that are segregated for accounting or legal purposes, and they have no positive or negative impact on the overall financial position of NapaSan.

Fund Equity

Fund equity, for the basis of NapaSan's budgeting and financial planning purposes, is defined as current assets including restricted assets, less current liabilities excluding capital-related liabilities. This number is meant to represent the amount of cash that NapaSan has available to commit to operating or capital expenses now or in the future, and is comparable to Fund Balance in governmental-type funds.

For FY 2021/22, the estimated Ending Fund Equity is \$259,500 lower than the Beginning Fund Equity for the fiscal year, with the ending equity available to fund future capital projects. The change in Fund Equity (1.2% reduction) is due to the implementation of planned capital projects.

Reserves

NapaSan manages three distinct reserves. The first reserve is an **operating reserve** designed to assist NapaSan during emergencies. This reserve is maintained at least 15% of annual operating expenses, including debt service but excluding transfers. This reserve has increased in FY 21/22 as recommended in the 2016 rate study.

The second reserve is an **operating cash flow reserve**. This reserve is the amount of cash necessary for NapaSan to have on hand on July 1 to cover its anticipated expenses through the summer and fall until NapaSan receives the bulk of its operating revenues (sewer services charges collected as property assessments) in December.

The third reserve is a **debt service reserve**. The SRF loan for the Browns Valley Trunk and West Napa Pump Station Rehabilitation project requires a debt service reserve equal to one debt service payment.

Financial Overview

	FY 18/19 Actuals	FY 19/20 Actuals	FY 20/21 Adj Budget	FY 20/21 Estimate	FY 21/22 Proposed
Beginning Fund Equity	\$25,609,380	\$24,527,787	\$31,472,186	\$31,472,186	\$20,776,200
Revenues					
Use of Money/Property	\$919,694	\$619,031	\$325,000	\$431,000	\$345,000
Charges for Services	31,604,848	35,626,012	34,425,000	33,259,800	35,818,500
Intergovernmental	559,745	2,555,955	0	0	0
Bond Proceeds	0	0	27,249,900	32,651,422	7,133,300
Sale of assets	(9,516)	(59,331)	25,000	25,000	25,000
Miscellaneous Revenues	63,726	35,882	67,000	66,000	69,000
Total Revenues	\$33,138,497	\$38,777,549	\$62,091,900	\$66,433,222	\$43,390,800
Operating Expenditures					
Salaries and Benefits	\$10,661,127	\$9,396,098	\$9,590,300	\$9,465,181	\$11,021,800
Services and Supplies	5,078,787	5,196,375	6,410,700	5,904,198	6,796,650
Taxes and Assessments	40,691	42,025	42,400	34,220	35,000
Debt Service	4,594,467	4,594,202	4,588,000	4,588,000	5,149,550
Total Operating Expenditures	\$20,375,072	\$19,228,700	\$20,631,400	\$19,991,599	\$23,003,000
Capital Expenditures	\$15,770,574	\$13,319,646	\$65,903,450	\$57,137,587	\$20,128,300
GAAP Adjustments	(1,925,556)	(715,196)	0	0	0
Total Expenditures	\$34,220,090	\$31,833,150	\$86,534,850	\$77,129,186	\$43,131,300
Ending Fund Equity	\$24,527,787	\$31,472,186	\$7,029,236	\$20,776,222	\$21,035,700
RW Repair & Replacement Reserve	\$0	\$106,000	\$206,000	\$206,000	\$340,000
Debt Reserve	0	0	1,100,000	1,100,000	1,100,000
Operating Reserve	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Operating Cash Flow Reserve	12,500,000	9,614,000	10,204,000	10,204,000	10,351,000
Total Reserves	\$18,500,000	\$15,720,000	\$17,510,000	\$17,510,000	\$17,791,000
Available for Use (Fund Equity minus Reserves)	\$6,027,787	\$15,752,186	(\$10,480,764)	\$3,266,222	\$3,244,700

The numbers above are net of transfers in and out.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Napa Sanitation District

California

For the Fiscal Year Beginning

July 1, 2020

Christopher P. Morill

Executive Director

GFOA Budget Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to Napa Sanitation District, California for its annual budget for the fiscal year beginning July 1, 2020. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

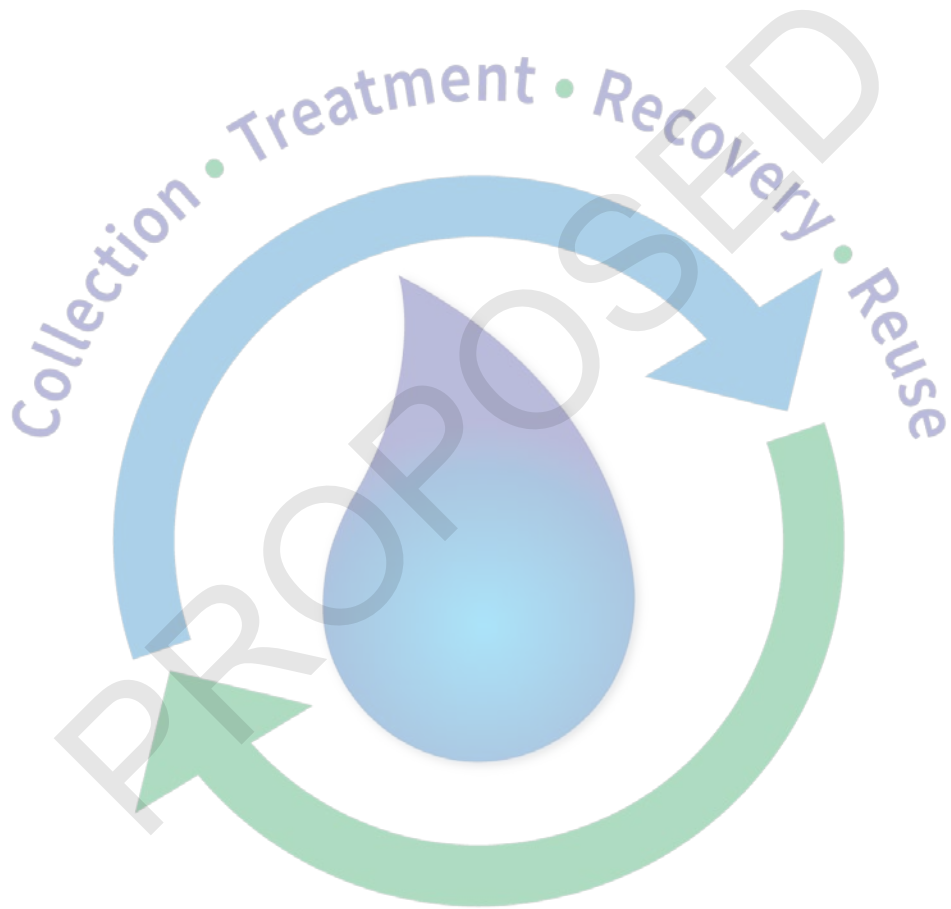
This award is valid for a period of one year only. District staff believes that this current FY 2021/22 budget continues to conform to program requirements and will be submitting it to GFOA to determine its eligibility for another award.

Detailed Tables of Revenues and Operating Expenditures



Installation of the floating covers on the recycled water reservoir at the Soscol Water Recycling Facility.

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NapaSan

REVENUE - ALL SOURCES

Account Description	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Proposed FY 21/22	Percent Change
780 - Operations						
Interest: Invested Funds	503,127	483,439	196,000	196,000	208,000	6.1%
Rent - Building/Land	415,668	131,631	129,000	234,000	137,000	6.2%
Construction/Bldg Permit Review Svcs	113,530	136,931	123,000	123,000	125,500	2.0%
Hauler Fees	196,916	184,272	197,000	160,000	283,000	43.7%
Sewer Usage Fees	28,018,017	29,576,130	31,112,000	30,034,000	30,487,000	(2.0%)
State - Other Funding	-	-	-	-	-	-
Penalties on Delinquent Sewer Fees	21,296	27,134	10,000	20,000	10,000	-
Recycled Water Sales	858,343	1,298,071	1,001,000	1,200,000	1,343,000	34.2%
Miscellaneous	63,726	35,882	52,000	41,000	54,000	3.8%
Total - Operations	30,190,621	31,873,490	32,820,000	32,008,000	32,647,500	(0.5%)
781 - Capital Improvement Projects						
Interest: Invested Funds	-	-	-	-	-	-
Federal Grants - USBR & FEMA	(15,303)	-	-	-	-	-
Other Government Agencies	693,659	340,776	-	-	-	-
Miscellaneous	-	-	5,000	5,000	5,000	-
Bond/Loan Proceeds	-	2,215,178	27,249,900	32,651,422	7,133,300	(73.8%)
Sale of Capital Assets	(9,516)	(59,331)	25,000	25,000	25,000	-
Intrafund Transfers In	11,835,558	4,266,561	10,992,000	1,742,800	12,580,000	14.4%
Total - Capital Improvement Projects	12,504,398	6,763,184	38,271,900	34,424,222	19,743,300	(48.4%)
782 - Expansion						
Interest: Invested Funds	900	3,961	-	1,000	-	-
Capacity Charges	2,396,746	4,403,474	1,992,000	1,742,800	3,580,000	79.7%
Total - Expansion	2,397,646	4,407,435	1,992,000	1,743,800	3,580,000	79.7%
Total - All Departments	45,092,665	43,044,109	73,083,900	68,176,022	55,970,800	(23.4%)

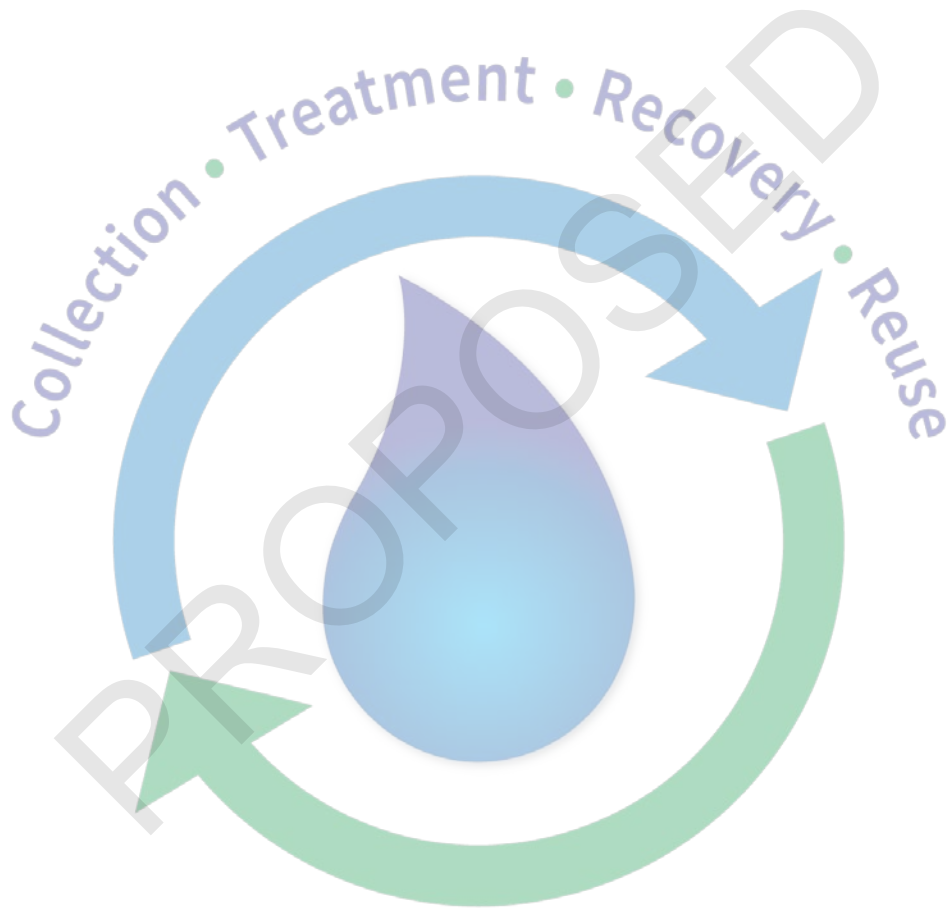
Account	Account Description	Actual FY 18/19	Actual FY 19/20	Adj. Budget FY 20/21	Estimated FY 20/21	Proposed FY 21/22	Percent Change
51100	Salaries and Wages	5,174,025	5,245,020	5,497,800	5,564,550	6,132,650	11.5%
51115	Overtime	233,421	226,748	254,500	206,545	269,900	6.1%
51120	Holiday Pay	8,256	12,405	13,550	13,856	14,450	6.6%
51130	Vacation Payout	5,063	26,716	25,000	4,640	54,500	118.0%
51200	457B Employer Contribution	82,458	82,690	82,800	79,350	85,200	2.9%
51205	Cell Phone Allowance	7,920	7,650	8,100	7,350	8,100	0.0%
51210	Director Pay	25,092	26,598	29,800	38,600	43,300	45.3%
51230	Uniform Allowance	-	4,467	-	2,640	-	-
51300	Medicare	79,003	80,724	87,250	88,550	97,300	11.5%
51305	F.I.C.A. / Social Security	1,258	1,338	1,500	2,000	2,200	46.7%
51400	Employee Insurance - Premiums	901,597	957,595	1,010,200	971,750	1,143,550	13.2%
51405	Workers Compensation	90,143	127,563	128,000	91,750	125,500	(2.0%)
51410	Unemployment Compensation	1,748	-	500	-	500	0.0%
51600	Retirement	5,178,722	3,000,724	1,644,500	1,653,250	2,360,700	43.6%
51605	Other Post Employment Benefits	(384,560)	301,270	715,950	654,750	599,100	(16.3%)
51990	Other Employee Benefits	109,935	94,720	90,850	85,600	84,850	(6.6%)
Subtotal Salaries & Benefits		\$11,514,082	\$10,196,229	\$9,590,300	\$9,465,181	\$11,021,800	14.9%
52115	Property Tax/Assessment Admin	12,280	12,353	12,500	12,400	12,500	0.0%
52125	Accounting/Auditing Services	73,579	85,026	86,600	83,000	86,600	0.0%
52130	Information Technology Services	298,640	346,950	357,400	339,000	350,000	(2.1%)
52140	Legal Services	83,964	136,259	231,150	180,840	231,150	0.0%
52145	Engineer Services	-	-	-	-	-	-
52150	Temporary/Contract Help	61,348	57,602	39,600	11,400	139,200	251.5%
52205	Actuarial Services	3,350	1,050	1,050	1,050	1,050	0.0%
52220	Medical/Laboratory Services	37,302	43,231	42,150	44,900	50,150	19.0%
52305	Training Services	5,615	8,310	11,100	-	27,750	150.0%
52310	Consulting Services	248,503	161,122	383,850	281,120	531,400	38.4%
52325	Waste Disposal Services	59,042	64,597	78,350	80,658	78,500	0.2%
52330	Hazardous Waste Disposal Services	5,830	5,166	7,000	6,500	7,000	0.0%
52335	Security Services	14,312	14,542	15,100	15,100	15,300	1.3%
52340	Landscaping Services	9,600	10,090	11,400	11,400	12,000	5.3%
52345	Janitorial Services	72,164	68,128	98,050	97,650	100,350	2.3%
52490	Other Professional Services	181,321	200,757	406,000	266,824	439,700	8.3%
52500	Maintenance - Equipment	155,026	139,108	225,550	191,910	191,100	(15.3%)
52505	Maintenance - Bldgs/Improvements	167,244	83,742	175,250	164,750	115,700	(34.0%)
52515	Maintenance - Software	94,170	129,602	156,600	176,015	176,800	12.9%
52520	Maintenance - Vehicles	107,096	134,842	129,150	134,964	116,200	(10.0%)
52600	Rents and Leases - Equipment	74,487	58,678	70,150	65,029	64,950	(7.4%)
52605	Rents and Leases - Buildings/Land	1,246	1,277	1,450	1,450	1,450	0.0%
52705	Insurance - Premiums	222,354	280,224	400,000	395,501	600,000	50.0%
52710	Insurance - Claims	2,201	5,677	15,000	30,000	15,000	0.0%
52800	Communications/Telephone	44,267	44,345	55,850	48,000	59,700	6.9%
52810	Advertising/Marketing	25,562	22,969	46,400	29,550	34,000	(26.7%)
52820	Printing and Binding	4,619	8,337	15,000	15,000	3,800	(74.7%)
52825	Bank Charges	10	15	-	-	-	-
52830	Publications and Legal Notices	2,499	1,471	6,350	2,400	5,350	(15.7%)
52840	Permits/License Fees	159,224	159,391	168,800	173,108	174,750	3.5%
52900	Training/Conference Expenses	56,845	45,722	60,100	26,885	120,300	100.2%

Account	Account Description	Actual FY 18/19	Actual FY 19/20	Adj. Budget FY 20/21	Estimated FY 20/21	Proposed FY 21/22	Percent Change
52905	Business Travel/Mileage (Meetings)	715	303	1,300	200	1,200	(7.7%)
53100	Office Supplies	17,858	17,394	20,500	18,700	20,500	0.0%
53105	Office Supplies - Furniture/Fixtures	1,893	13,044	2,300	10,550	1,000	(56.5%)
53110	Freight/Postage	9,747	14,490	18,500	16,500	13,500	(27.0%)
53115	Books/Media/Subscriptions	1,280	1,969	4,000	2,851	3,650	(8.8%)
53120	Memberships/Certifications	82,590	91,424	107,500	102,569	107,800	0.3%
53200	Utilities - Gas	22,769	24,042	20,500	14,500	15,600	(23.9%)
53205	Utilities - Electric	996,323	1,058,093	912,700	1,113,150	1,132,650	24.1%
53215	Utilities - Fire Suppression Systems	7,311	181	3,900	8,317	4,050	3.8%
53220	Utilities - Water	5,144	5,429	8,800	8,500	8,800	0.0%
53250	Fuel	139,061	130,688	135,850	104,245	135,650	(0.1%)
53300	Clothing and Personal Supplies	38,992	31,068	37,050	31,295	37,500	1.2%
53315	Medical/Laboratory Supplies	59,954	62,114	70,000	59,200	64,000	(8.6%)
53320	Safety Supplies	31,986	49,895	57,400	70,227	71,850	25.2%
53330	Janitorial Supplies	19,015	16,017	19,100	20,700	22,300	16.8%
53340	Chemicals	862,687	842,678	1,032,050	816,000	931,850	(9.7%)
53350	Maintenance Supplies	373,937	363,188	497,600	470,688	312,500	(37.2%)
53360	Infrastructure Repair Supplies	15,874	14,720	15,800	38,536	17,300	9.5%
53400	Minor Equipment/Small Tools	49,054	74,155	56,400	62,634	61,600	9.2%
53410	Computer Equipment/Accessories	921	4,282	10,000	9,714	3,150	(68.5%)
53415	Computer Software/Licensing Fees	11,495	11,049	10,900	12,208	13,100	20.2%
53600	Special Department Expense	30,675	18,328	35,350	16,500	26,650	(24.6%)
53635	Service Awards	5,913	5,859	8,300	2,500	8,300	0.0%
53650	Business Related Meals/Supplies	1,596	1,620	3,900	1,050	3,150	(19.2%)
53665	Wellness Reimbursement	5,468	2,437	11,050	3,460	10,250	(7.2%)
53670	Education Reimbursement	2,828	1,703	3,000	3,000	7,000	133.3%
Subtotal Services & Supplies		\$5,078,785	\$5,186,754	\$6,410,700	\$5,904,198	\$6,796,650	6.0%
54100	Principal on Bonds/COPs	2,819,631	2,987,386	3,105,250	3,105,250	3,528,150	13.6%
54310	Interest on Bonds/COPs	1,768,196	1,596,316	1,477,150	1,477,150	1,614,550	9.3%
54320	Administration on Bonds/COPs	9,333	10,500	5,600	5,600	6,850	22.3%
54500	Taxes and Assessments	40,691	42,025	42,400	34,220	35,000	(17.5%)
57900	Intrafund Expenditures	6,675,000	-	9,000,000	5,000,000	9,000,000	-
Subtotal Other		\$11,312,851	\$4,636,227	\$13,630,400	\$9,622,220	\$14,184,550	4.1%
TOTALS		\$27,905,719	\$20,019,210	\$29,631,400	\$24,991,599	\$32,003,000	8.0%

	Actual FY 18/19	Actual FY 19/20	Adj. Budget FY 20/21	Estimated FY 20/21	Proposed FY 21/22	Percent Change
Salaries & Benefits						
Board of Directors	27,244	28,917	32,500	41,850	46,900	44.3%
General Manager's Office	436,337	337,523	317,500	334,700	344,050	8.4%
Administrative Services	1,326,084	1,000,910	1,000,550	858,850	1,068,950	6.8%
Safety, Training & Fleet Maintenance	145,391	116,176	146,400	143,350	151,200	3.3%
Collection System	2,337,959	1,863,309	1,848,200	1,783,286	2,101,450	13.7%
Treatment Plant Operations	1,738,814	1,519,685	1,510,600	1,567,641	1,669,150	10.5%
Treatment Plant Maintenance	1,213,782	949,582	841,200	856,080	968,300	15.1%
Regulatory Compliance	803,489	669,732	641,350	667,170	666,550	3.9%
Engineering	1,421,162	1,234,535	1,241,600	1,333,250	1,338,900	7.8%
Community Outreach & Poll. Prev.	156,144	142,404	143,750	145,750	155,850	8.4%
Water & Biosolids Reclamation	561,366	486,786	470,250	480,154	483,400	2.8%
Non-Departmental Expenses	1,346,311	1,846,670	1,396,400	1,253,100	2,027,100	-
Subtotal Salaries & Benefits	\$11,514,082	\$10,196,229	\$9,590,300	\$9,465,181	\$11,021,800	14.9%
Services & Supplies						
Board of Directors	168,167	256,529	464,400	383,810	404,300	(12.9%)
General Manager's Office	12,777	61,680	113,200	42,223	179,750	58.8%
Administrative Services	513,432	577,145	635,900	585,239	609,600	(4.1%)
Safety, Training & Fleet Maintenance	79,329	74,550	76,350	64,399	98,900	29.5%
Collection System	362,535	427,717	405,500	358,267	452,800	11.7%
Treatment Plant Operations	2,304,638	2,225,241	2,342,200	2,320,971	2,443,900	4.3%
Treatment Plant Maintenance	769,470	733,768	1,091,100	1,052,345	1,031,950	(5.4%)
Regulatory Compliance	145,513	146,672	160,100	138,634	210,800	31.7%
Engineering	128,887	80,401	138,300	112,271	320,250	131.6%
Community Outreach & Poll. Prev.	52,883	40,930	93,150	58,850	81,300	(12.7%)
Water & Biosolids Reclamation	259,137	206,876	400,200	286,863	271,750	(32.1%)
Non-Departmental Expenses	282,016	355,247	490,300	500,326	691,350	41.0%
Subtotal Services & Supplies	\$5,078,785	\$5,186,754	\$6,410,700	\$5,904,198	\$6,796,650	6.0%
Other						
Administrative Services	-	-	-	-	-	-
Treatment Plant Operations	-	-	-	-	-	-
Water & Biosolids Reclamation	40,691	30,541	42,400	34,220	35,000	(17.5%)
Non-Departmental Expenses	11,272,161	4,605,685	13,588,000	9,588,000	14,149,550	4.1%
Subtotal Other	\$11,312,851	\$4,636,227	\$13,630,400	\$9,622,220	\$14,184,550	4.1%
Total	\$27,905,719	\$20,019,210	\$29,631,400	\$24,991,599	\$32,003,000	8.0%

Department	Category	Actual FY 18/19	Actual FY 19/20	Adj. Budget FY 20/21	Estimated FY 20/21	Proposed FY 21/22	Percent Change
Board of Directors	Salaries & Benefits	27,244	27,244	32,500	41,850	46,900	44.3%
	Services & Supplies	168,167	168,167	464,400	383,810	404,300	(12.9%)
	Total	195,411	195,411	496,900	425,660	451,200	(9.2%)
General Manager's Office	Salaries & Benefits	436,337	436,337	317,500	334,700	344,050	8.4%
	Services & Supplies	12,777	12,777	113,200	42,223	179,750	58.8%
	Total	449,114	449,114	430,700	376,923	523,800	21.6%
Administrative Services	Salaries & Benefits	1,326,084	1,326,084	1,000,550	858,850	1,068,950	6.8%
	Services & Supplies	513,432	513,432	635,900	585,239	609,600	(4.1%)
	Other	-	-	-	-	-	-
	Total	1,839,516	1,839,516	1,636,450	1,444,089	1,678,550	2.6%
Safety, Training & Fleet Maintenance	Salaries & Benefits	145,391	145,391	146,400	143,350	151,200	3.3%
	Services & Supplies	79,329	79,329	76,350	64,399	98,900	29.5%
	Total	224,719	224,719	222,750	207,749	250,100	12.3%
Community Outreach & Poll. Prev.	Salaries & Benefits	156,144	156,144	143,750	145,750	155,850	8.4%
	Services & Supplies	52,883	52,883	93,150	58,850	81,300	(12.7%)
	Total	209,027	209,027	236,900	204,600	237,150	0.1%
Non-Departmental Expenses	Salaries & Benefits	1,346,311	1,346,311	1,396,400	1,253,100	2,027,100	45.2%
	Services & Supplies	282,016	282,016	490,300	500,326	691,350	41.0%
	Debt Service	4,597,161	4,594,202	4,588,000	4,588,000	5,149,550	12.2%
	Transfers	6,675,000	-	9,000,000	5,000,000	9,000,000	0.0%
	Total	12,900,488	6,222,530	15,474,700	11,341,426	16,868,000	9.0%
Treatment Plant Operations	Salaries & Benefits	1,738,814	1,738,814	1,510,600	1,567,641	1,669,150	10.5%
	Services & Supplies	2,304,638	2,304,638	2,342,200	2,320,971	2,443,900	4.3%
	Other	-	-	-	-	-	-
	Total	4,043,452	4,043,452	3,852,800	3,888,612	4,113,050	6.8%
Treatment Plant Maintenance	Salaries & Benefits	1,213,782	1,213,782	841,200	856,080	968,300	15.1%
	Services & Supplies	769,470	769,470	1,091,100	1,052,345	1,031,950	(5.4%)
	Total	1,983,252	1,983,252	1,932,300	1,908,425	2,000,250	3.5%
Regulatory Compliance	Salaries & Benefits	803,489	803,489	641,350	667,170	666,550	3.9%
	Services & Supplies	145,513	145,513	160,100	138,634	210,800	31.7%
	Total	949,002	949,002	801,450	805,804	877,350	9.5%
Engineering	Salaries & Benefits	1,421,162	1,421,162	1,241,600	1,333,250	1,338,900	7.8%
	Services & Supplies	128,887	128,887	138,300	112,271	320,250	131.6%
	Total	1,550,049	1,550,049	1,379,900	1,445,521	1,659,150	20.2%
Collection System	Salaries & Benefits	2,337,959	2,337,959	1,848,200	1,783,286	2,101,450	13.7%
	Services & Supplies	362,535	362,535	405,500	358,267	452,800	11.7%
	Total	2,700,494	2,700,494	2,253,700	2,141,553	2,554,250	13.3%
Water & Biosolids Reclamation	Salaries & Benefits	561,366	561,366	470,250	480,154	483,400	2.8%
	Services & Supplies	259,137	259,137	400,200	286,863	271,750	(32.1%)
	Other	40,691	40,691	42,400	34,220	35,000	(17.5%)
	Total	861,193	861,193	912,850	801,237	790,150	(13.4%)
Total Operating Expenditures		\$27,905,719	\$21,227,760	\$29,631,400	\$24,991,599	\$32,003,000	8.0%

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NapaSan

Expenditure Budgets by Department



Dissolved air floatation (DAF) clarifier, Soscol Water Recycling Facility

Board of Directors

Description

The Board of Directors is the policy making body that determines the overall direction of NapaSan and services provided to the customers. The rules for connecting and discharging to the system, and the rates and charges for services, are set by the Board.

The Board of Directors comprises two directors who are members of the Napa City Council, one director who is a member of the Napa County Board of Supervisors, and two citizen appointees, one appointed by the city and one by the county. The Board of Directors hires the General Manager and contracts for the District Legal Counsel and the annual financial audit.

The Board adopts the annual Operating Budget, Ten-Year Capital Improvement Plan, Ten-Year Financial Plan and sets the priorities for NapaSan.

Link to District Goals in Strategic Plan

The Board of Directors establishes the Strategic Plan's long-term goals, objectives and priorities.

Department Goals

Goal: The Board of Directors Department goal is to articulate the short and long-term policy direction for NapaSan to ensure:

- infrastructure reliability
- financial stability
- operational optimization
- employee development
- community outreach and communication
- resource recovery
- regulatory compliance

Related Department Objectives

- Oversee the policy and strategic direction and set levels of service for its customers.
- Provide policy direction regarding levels of service.
- Work with senior management and consultant to provide direction regarding rates and fees.
- Provide policy guidance regarding alternative methods for treatment of winery waste.
- Adopt, revise and monitor a long-term policy document for prioritizing the delivery of recycled water.
- Provide direction to staff on efforts to increase non-rate revenues and improve NapaSan's operational efficiency and effectiveness.

Changes in Service Levels

- The Board of Directors budget includes NapaSan's expenses for legal services, audit services, and fiduciary oversight, as these functions report directly to the Board.
- The FY 21/22 budget removes \$15,000 for the Strategic Plan update that was done in Spring 2021.
- The FY 21/221 budget removes \$89,000 for a cost of study for sewer service charges in compliance with Proposition 218 requirements that was done in Spring 2021.



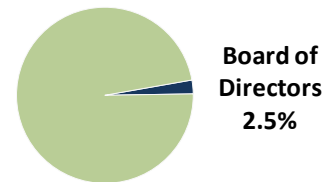
Board of Directors honor 2017 Napa Engineering Society scholarship recipients.



Board of Directors honors Plant Operator Steven Chavis on being named Operator of the Year by the California Water Environment Association.

PROPOSED

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 27,244	\$ 28,917	\$ 32,500	\$ 41,850	\$ 46,900	44.3%
Services & Supplies	\$ 168,167	\$ 256,529	\$ 464,400	\$ 383,810	\$ 404,300	(12.9%)
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 195,411	\$ 285,446	\$ 496,900	\$ 425,660	\$ 451,200	(9.2%)

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Director-Member of Napa City Council (CC)	2	2	2	2
Director-Member of Napa Board of Supervisors (BOS)	1	1	1	1
Director-Public Representative Appointed by BOS	1	1	1	1
Director-Public Representative Appointed by CC	1	1	1	1
Totals	5	5	5	5

General Manager's Office

Description

The General Manager is responsible to the Board of Directors for all aspects of the administration, operation and planning activities of the staff of the District. The General Manager is the hiring authority for all positions.

Link to District Goals in Strategic Plan

The General Manager's Office is responsible to ensure that all of the departments and respective management are performing toward the District's established goals. As part of the Quarterly Report to the Board of Directors, the General Manager reports on the status of each District goal, objective, and the specific projects outlined in the Strategic Plan.

The General Manager's Office and Administrative Services are jointly responsible for conducting the update of sewer service charge rate study in advance of Prop. 218 process (**Goal Two: Financial Stability, Objective 2A**). General Manager's Office is also overseeing the next employee survey (**Goal Four: Employee Development, Objective 4B**), working with the Board to pursue leases on District property (**Goal Two: Financial Stability, Objective 2B**), promoting NapaSan as a progressive, professional organization as a great place to work (**Goal Four: Employee Development, Objective 4A**) and addressing succession planning through supervisory/management training and an internal mentorship program (**Objective 4D**).

The General Manager's Office strives to build and maintain relationships with community leaders, elected officials and stakeholders (**Goal Five: Community Outreach and Communication, Objective 5D**) and collaborate with other local agencies and groups to meet common goals (**Objective 5C**), and works with partners to expand recycled water delivery and long-term water reuse opportunities (**Goal Six: Resource Recovery, Objectives 6A, 6B, 6C, 6D, and 6F**). The General Manager's Office will work with staff in evaluating energy self-generation with the primary goal of decreasing overall energy costs (**Objective 6E**). The General Manager's Office will also actively engage with partners and professional organizations to remain aware of potential regulatory and legislative changes (**Goal Seven: Regulatory Compliance, Objective 7B**).

Department Goals

Goal: Implement the policy direction of the Board of Directors.

Related Department Objectives

- Represent NapaSan at the North Bay Water Reuse Authority, specifically working to bring federal money to the region for Recycled Water projects.
- Under the direction of the Lands Committee and Board, work to develop options for lease revenue on District-owned property.
- Represent NapaSan interests by working cooperatively with LAFCO on the municipal services review for water, wastewater and recycled water treatment and delivery.
- Engage with professional associations to remain aware of potential regulatory and legislative changes.

Goal: Provide leadership and management throughout NapaSan.

Related Department Objectives

- Provide direction to all departments, aligning efforts to promote and be consistent with NapaSan's goals and policy directives.
- Oversee changes derived from Employee Surveys



NapaSan Booth at annual Earth Day event

- Provide overall direction to the engineering staff regarding significant capital projects, including Browns Valley Road Trunk, West Napa Pump Station Improvements, 66-inch Sewer Trunk Main Rehabilitation, I&I projects, and other priority projects.

Changes in Service Levels

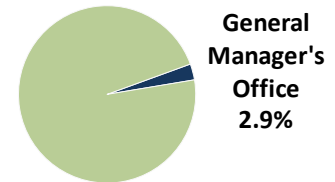
- There are no significant changes in the General Manager’s Office budget.



NapaSan booth at the annual Ag Expo in Napa

PROPOSED

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 436,337	\$ 337,523	\$ 317,500	\$ 334,700	\$ 344,050	8.4%
Services & Supplies	\$ 12,777	\$ 61,680	\$ 113,200	\$ 42,223	\$ 179,750	58.8%
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 449,114	\$ 399,202	\$ 430,700	\$ 376,923	\$ 523,800	21.6%

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
General Manager	1	1	1	1
Totals	1	1	1	1

Administrative Services

Description

Administrative Services provides administrative and financial support for all other NapaSan departments. The division includes accounting, payroll, budget and financial planning, Information Technology, human resources and risk management. The division also includes duties in support of the Board of Directors, responding to public inquiries, records management, and general administrative support.

Link to District Goals in Strategic Plan

The Administrative Services Department supports NapaSan's "Goal Two: Financial Stability." This Department is jointly responsible with the General Manager's Office to study sewer service charge and capacity charge methodology options (**Objective 2A**). The Department also develops financing plans, such as the one for the Browns Valley Trunk and West Napa Pump Station project (**Goal One: Infrastructure Reliability, Objective 1C**) and the 66-inch Sewer Trunk Main Rehabilitation project (**Objective 1F**).

This Department is also responsible for evaluating opportunities for shared services (**Goal 3: Operational Optimization, Objective 3A**). The Department will take a leadership role in promoting further succession planning through training and mentorship (**Goal 4: Employee Development, Objective 4D**), promoting NapaSan as a progressive, professional workplace (**Objective 4A**), and assisting in MOU negotiations (**Objective 4C**), as appropriate.

Department Goals

Goal: Provide financial information for managers and Board to maintain NapaSan's financial viability and stability.

Related Department Objectives

- Prepare to update the sewer service charge rate study.
- Review cash flow and emergency reserves for adequacy.
- Complete the 12th annual Performance Measurement Report.
- Continue to provide financial support to managers, supervisors and staff, in support of NapaSan activities.

Goal: Provide time sensitive and necessary Human Resources support throughout NapaSan.

Related Department Objectives

- Provide support to departments through recruitments and internship programs.
- Continue efforts in succession planning, including training and mentorship programs.
- Support the labor negotiations in providing unbiased costing analysis and technical advice.
- Continue to provide human resource support to managers, supervisors and staff, in support of NapaSan activities.

Operating Ratio (above 1.0 is goal)

16/17	17/18	18/19	19/20	20/21	21/22
1.07	1.36	1.08	1.27	1.3	1.3

Debt Service Coverage Ratio (greater than 125% is required)

16/17	17/18	18/19	19/20	20/21	21/22
344%	534%	374%	473%	357%	300%

Sewer Service Charge Bill Affordability (goal is to remain under 1.0% per EPA guidance)

16/17	17/18	18/19	19/20	20/21	21/22
0.74%	0.80%	0.80%	0.77%	0.80%	0.80%

Experience Turnover Rate (Lower is better)

2017	2018	2019	2020	2021	2022
3.9%	6.7%	2.8%	2.9%	5.0%	5.0%

Employee Survey Results – These are the average score of employees who rated the following statement: (1=strongly disagree / 5=strongly agree)

“The forms and process used for annual employee performance evaluations are user friendly.”

2017	2018	2019	2020	2021	2022
3.49	na	na	na	na	3.50

Goal: Provide general administrative support to employees and serve the requests of the general public.

Related Department Objectives

- Evaluate opportunities to increase efficiencies in the delivery of support services.
- Continue to provide general administrative support to managers, supervisors and staff, in support of NapaSan activities.

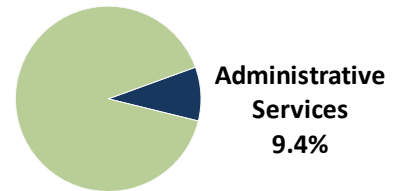


NapaSan Open House

Changes in Service Levels

- FY 21/22 budget removes \$15,000 for the cost to update NapaSan’s HR Policies Handbook
- FY 21/22 budget removes expenses related to mailing notices and postage for Proposition 218 process
- Additional cost to janitorial supplies in FY 21/22 due increased cleaning and sanitizing efforts

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 1,326,084	\$ 1,000,910	\$ 1,000,550	\$ 858,850	\$ 1,068,950	6.8%
Services & Supplies	\$ 513,432	\$ 577,145	\$ 635,900	\$ 585,239	\$ 609,600	(4.1%)
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 1,839,516	\$ 1,578,055	\$ 1,636,450	\$ 1,444,089	\$ 1,678,550	2.6%

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Director of Admin Services/Chief Financial Officer	1	1	1	1
Clerk to the Board/Human Resources Officer	1	1	1	1
Senior Accountant	1	1	1	1
Accountant	1	1	1	1
Administrative Assistant I/II	2	2	2	2
Totals	6	6	6	6

Safety, Training and Fleet Maintenance

Description

Many of NapaSan's activities are inherently dangerous, as they involve work in heavy traffic, repairs and installations of pipe in deep trenches susceptible to collapse, and entrance into confined spaces that potentially contain toxic gases or other hazardous conditions. This program oversees workplace safety and provides safety training for all staff to ensure safe working practices and compliance with safety regulations. This includes reviews of contractor safety programs to ensure that NapaSan's contractors also work and operate safely.

This program also includes maintenance and management of NapaSan's fleet vehicles, communications management and general safety and security protocols.

Link to District Goals in Strategic Plan

This Department supports NapaSan's value of safety, along with all of the goals of other departments by ensuring that the workplace is safe and employees are adequately trained. The Department also directly assists in planning and training associated with resiliency, disaster mitigation and disaster recovery (**Goal 3: Operational Optimization, Objective 3B**).

Department Goals

Goal: Implement programs that result in improved safety and lower accidents and incidents rates

Related Department Objectives

- Develop and implement periodic review plan for NapaSan safety policies and programs.
- Maintain a Business Continuity Plan for operations during disasters, and integrate NapaSan in the city and county's emergency response systems.
- Continue on five-year plan to fully implement the lockout-tag-out Standard Operating Procedures (SOP) development and revision project, in conjunction with plant maintenance staff.

Goal: Facilitate proper management of fleet vehicles to ensure they are safe and reach their intended useful lifespan

Related Department Objectives

- Maintain and adjust ten-year plan for fleet sustainment, acquisition, rehabilitation and attrition.
- Determine right combination of mission essential vehicle types to ensure NapaSan operational effectiveness, while increasing efficiency and reducing overall cost.
- Oversee NapaSan's Fleet Committee to determine proper general purpose fleet sizing to meet the goal of a "common fleet" approach; cross utilization of assets, increasing economy and efficiency while reducing cost.

NapaSan's Experience Modification (XMOD) Rate

(lower is better; NapaSan is compared to the CSRMA risk pool member average)

	16/17	17/18	18/19	19/20	20/21	21/22
NapaSan	104	68	64	62	61	61
Avg	93	99	93	94	na	na

Total Recordable Incidence Rate

(Injuries and illnesses per 200,000 hours worked; NapaSan is compared to the wastewater industry average)

	2017	2018	2019	2020	2021	2022
NapaSan	8.23	5.98	2.10	0	0	0
Avg	5.4	5.8	5.9	na	na	na

Number of Insurance Claims

(number of claims per 200,000 hours of work)

	16/17	17/18	18/19	19/20	20/21	21/22
	22.64	5.97	4.14	2.19	0	0

Severity of Insurance Claims

(cost of claims per 200,000 hours of work)

	16/17	17/18	18/19	19/20	20/21	21/22
	\$111k	\$107k	\$10k	\$7k	\$0	\$0

Changes in Service Levels

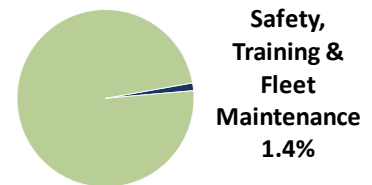
- The training budget fluctuates annually to facilitate the different trainings required, on a two or three-year rotational basis.
- There are no significant changes in service levels in this program.



District staff training on fire extinguisher use

PROPOSED

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 145,391	\$ 116,176	\$ 146,400	\$ 143,350	\$ 151,200	3.3%
Services & Supplies	\$ 79,329	\$ 74,550	\$ 76,350	\$ 64,399	\$ 98,900	29.5%
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 224,719	\$ 190,725	\$ 222,750	\$ 207,749	\$ 250,100	12.3%

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Safety, Training & Fleet Maintenance Officer	1	1	1	1
Totals	1	1	1	1

Community Outreach & Pollution Prevention

Description

The Community Outreach & Pollution Prevention Program is a cross-departmental program designed to ensure that NapaSan communicates transparently with ratepayers and stakeholders, and acts proactively to disseminate its pollution prevention message. This is done through school programs, community events, and treatment plant tours.

The program also works to ensure that discharges to the collection system and treatment plant are in compliance with NapaSan’s Sewer Use Ordinance and will not pose a hazard to the public, NapaSan employees or NapaSan facilities and treatment processes.

NapaSan’s Pretreatment Program controls the amount of pollutants that are discharged to the sanitary sewer system through active regulation of numerous industrial and commercial businesses in Napa. Program activities include periodic on-site inspections, permit writing and administration, sampling of various discharges, and enforcement when necessary. The Program supports increased water recycling and reuse, as well as wastewater treatment prior to discharge to the sanitary sewer to reduce pollutant loadings to the treatment facility.

Link to District Goals in Strategic Plan

This program supports the Strategic Plan, specifically “**Goal Three: Operational Optimization**” in the outreach to develop alternative methods for treating winery waste (**Objective 3D**) and “**Goal Five: Community Outreach and Communication**” in the development of proactive communication methods and practices (**Objective 5B**), engagement with the community to increase understanding of NapaSan services, rates and messages (**Objective 5A**), collaboration with other local agencies and groups to meet common goals (**Objective 5C**), and building relationships with community leaders, elected officials and stakeholders (**Objective 5D**). The program also contributes toward “**Goal Six: Resource Recovery, Objective 6F**” to improve recycled water quality through its efforts in pollution prevention.

Program Goals

Goal: Decrease Fats, Oil and Grease (FOG) deposited in the Collection System, thus reducing maintenance expenses and reducing the risk of Sanitary Sewer Overflows (SSOs).

Related Department Objectives

- With the City of Napa, promote the Recycle More Program which provides curbside collection of used cooking oil.
- Continue the inspection program for Fats, Oil and Grease (FOG).
- Continue public outreach on proper disposal of FOG.

Restaurant Inspections (Fats, Oil & Grease)

2017	2018	2019	2020	2021	2022
167	170	170	101	78	200

Lateral Overflows or Backups Due to FOG

(goal is zero)

2017	2018	2019	2020	2021	2022
1	4	3	1	0	0

Main Line Sanitary Sewer Overflows Due to FOG

(goal is zero)

2017	2018	2019	2020	2021	2022
1	2	1	2	0	0

Goal: Prevent pollutants from being discharged into the sewer system through active regulation, promotion of Best Management Practices, and outreach to the public.

Related Department Objectives

- Work with community partners to promote NapaSan’s services and rate structure.
- Work with local partners to promote proper disposal of unwanted medications at drop-off sites throughout the County and help to promote the yearly Countywide drug takeback event.

Plant Tours Conducted and Presentations Made

2017	2018	2019	2020	2021	2022
51	53	55	10	10	50

- Conduct plant tours and make public presentations.
- Develop and disseminate to stakeholders pollution prevention BMPs as necessary.
- Promote classroom presentations targeting elementary school students.
- Continue Spanish language outreach for pollution prevention messages.
- Organize 3rd Annual Citizens Academy.
- Continue monitoring, sampling, reporting, and billing for all categorical dischargers.



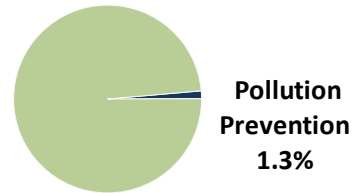
School tour of the Treatment Plant Headworks

Changes in Service Levels

- Increased expenses for legal requirements for website support in the amount of \$9,500 are included in FY 21/22 budget.
- Expenses related to destruction of medication from the Pharmaceutical Take-Back program and Toilet Retrofit program have been removed
- There are no other significant changes in the Pollution Prevention budget.

PROPOSED

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 156,144	\$ 142,404	\$ 143,750	\$ 145,750	\$ 155,850	8.4%
Services & Supplies	\$ 52,883	\$ 40,930	\$ 93,150	\$ 58,850	\$ 81,300	(12.7%)
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 209,027	\$ 183,334	\$ 236,900	\$ 204,600	\$ 237,150	0.1%

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Pollution Prevention and Outreach Specialist	1	1	1	1
Totals	1	1	1	1

Treatment Plant Operations

Description

The Treatment Plant Operations Department receives, treats and distributes wastewater and solids conveyed to the treatment plant in an environmentally sound and cost effective manner. This is done with a strong ethical foundation of protecting public health and the environment, while meeting our responsibilities to the rate payers.

The department operates the plant, performs some basic preventive maintenance of plant equipment and structures, recommends improvements in plant process, assists with engineering and special studies, and prepares all regulatory reports applicable to the treatment plant.

Link to District Goals in Strategic Plan

The Treatment Plant Operations Department supports the District’s “**Goal One: Infrastructure Reliability**” by providing support to the Engineering Department’s work on developing the Treatment Plant Master Plan (**Objective 1D**) and development of an Asset Management program (**Objective 1B**).

The Department will be responsible to continue to study the effects of accepting and treating winery waste through alternative methods (**Objective 3D**).

Working with the General Manager’s Office and the Engineering Department, this Department will assist in developing a partnership with cities of Napa and American Canyon to complete a preliminary feasibility study for developing a “purified water” potable reuse program (**Goal Six: Resource Recovery, Objective 6D**). This Department will provide technical analysis to evaluate energy self-generation projects (**Objective 6E**) and toward efforts to improve recycled water quality (**Objective 6F**).

For “**Goal Seven: Regulatory Compliance**,” the Department will provide all necessary information required for renewal of the NPDES permit (**Objective 7A**) and to continue compliance with other state and regional permits and reporting requirements (**Objective 7C**). The Department also contributes toward **Goal Four: Employee Development** in its hiring training of Operators-in-Training (**Objective 4A**).

Department Goals

Goal: Effectively and efficiently operate the treatment plant.

Related Department Objectives

- Continuous process optimization of the plant control systems to achieve a reduction in chemical and energy costs, to match or exceed the targets noted in performance measures above.
- Continue installation of additional online instrumentation.
- Continue to receive fats, oil and grease (FOG) collected from siphon to the FOG receiving station.
- Continue to optimize production of biogas in digester resulting from FOG receiving program.

Goal: Adhere to all federal, state and local guidelines, permits and regulations in the operation of the treatment plant.

Related Department Objectives

- Continue producing an effluent that meets the NPDES permit requirements.

Polymer per MG processed – Winter and Summer

	2017	2018	2019	2020	2021	2022
Wnt	10.2	12.2	11.3	11.7	15	15
Smr	39.3	21.7	34.5	23.0	50	50

Hypochlorite per MG processed

	2017	2018	2019	2020	2021	2022
Wnt	55.2	62.5	50.8	121.7	60	60
Smr	198.6	191.1	171.8	184.0	200	200

Percent of Self-Generated Electricity

	2017	2018	2019	2020	2021	2022
	40.8%	55.8%	49.4%	50.3%	50%	50%

Electricity Consumed per Million Gallons Treated (Megawatt-hours per MG processed)

	2017	2018	2019	2020	2021	2022
Wnt	1.5	2.3	1.7	4.7	1.8	1.8
Smr	6.6	6.1	7.0	6.3	6.0	6.0

Changes in Service Levels

- FY 21/22 budget adds \$222,950 for electricity, due to change in PG&E rates and increased recycled water distribution.
- The chemical budget is decreased by \$97,000 as a result of operations optimization efforts
- FY 21/22 budget subtracts \$41,000 from ROWD & NPDES Permit renewal expenses



Overseeing plant operations via SCADA interface

Treatment for BOD and TSS Removal

(Must be higher than 85% - monthly average)

	2017	2018	2019	2020	2021	2022
BOD	97.0%	97.6%	94.6%	97.9%	95%	95%
TSS	95.6%	96.5%	95.3%	96.8%	95%	95%

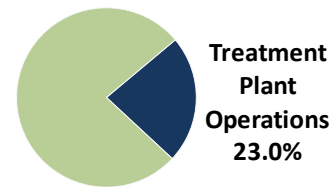
Total Allowable BOD and TSS

(Must be lower than 30 mg/L - monthly average)

	2017	2018	2019	2020	2021	2022
BOD	4.8	5.9	9.9	6.0	5.0	5.0
TSS	7.7	8.8	9.8	8.3	10.0	10.0

PROPOSED

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 1,738,814	\$ 1,519,685	\$ 1,510,600	\$ 1,567,641	\$ 1,669,150	10.5%
Services & Supplies	\$ 2,304,638	\$ 2,225,241	\$ 2,342,200	\$ 2,320,971	\$ 2,443,900	4.3%
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 4,043,452	\$ 3,744,925	\$ 3,852,800	\$ 3,888,612	\$ 4,113,050	6.8%

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Director of Operations Services	1	1	1	1
Operations Supervisor	1	1	1	1
Operator OIT/I/II/III	7	7	7	7
Totals	9	9	9	9

Treatment Plant Maintenance

Description

The Treatment Plant Maintenance Department provides corrective and preventive maintenance and equipment installation at the wastewater treatment plant and recycled water facilities, lift stations and other assigned areas.

Priorities are set through consultation with Treatment Plant Operations staff to ensure plant reliability and permit compliance.

Link to District Goals in Strategic Plan

The Treatment Plant Maintenance Department supports NapaSan’s “**Goal One: Infrastructure Reliability**” by providing technical assistance and information to support the master planning efforts (**Objective 1D**) and Asset Management implementation (**Objective 1B**). The Department also contributes toward “**Goal Four: Employee Development**” in its hiring training of Mechanical Technician interns (**Objective 4A**).

Department Goals

Goal: Provide corrective and preventive maintenance safely, cost effectively and efficiently.

Related Department Objectives:

- Continue to implement an effective life cycle equipment replacement schedule for better budgetary expense projections.
- Expand equipment data base and associated task of Maintenance Program.
- Continue to implement Infrared Imaging PM program for all electrical switchgear and motor control centers

Planned Maintenance Ratio of Hours Worked
(Planned maintenance as a percentage of total maintenance measures the proactive nature of activity in the department and is more efficient than corrective or emergency maintenance. A higher percentage is better.)

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
61.3%	67.9%	69.4%	68.8%	70%	70%

Number of work orders completed

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1,334	1,379	1,395	1,383	1,600	1,600

Goal: Maintain critical operational systems so that there is reliability and operational resiliency.

Related Department Objectives:

- Implement program to identify and document fiber communications from point to point
- Continue enhancement and organization of the inventory system to reduce down time.

Uptime for Cogeneration Engine

(The Cogeneration Engine is critical for effective management of biogas through the generation of heat and electricity needed by the wastewater treatment plant to operate.)

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
80.9%	97.7%	98.2%	97.0%	95%	95%

Uptime for Major Mission-Critical Pumps

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
98.6%	96.8%	99.6%	99.2%	95%	95%

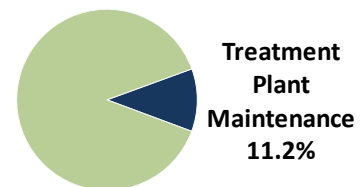
Changes in Service Levels

- Increase in janitorial services budget of \$13,000 in FY 21/22 for additional deep cleaning of Administration, Collections and Plant Administration facilities.
- Includes \$200,000 in FY 21/22 budget for marsh dredging project
- Various categories were increased and decreased from prior year, based on specific work plan in this department.



Maintenance technicians installing a valve to the “3-Water” filter.

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 1,213,782	\$ 949,582	\$ 841,200	\$ 856,080	\$ 968,300	15.1%
Services & Supplies	\$ 769,470	\$ 733,768	\$ 1,091,100	\$ 1,052,345	\$ 1,031,950	(5.4%)
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 1,983,252	\$ 1,683,349	\$ 1,932,300	\$ 1,908,425	\$ 2,000,250	3.5%

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Plant Maintenance Supervisor	1	1	1	1
Equipment Maintenance Specialist I/II	4	4	4	4
Plant Attendant	1	1	1	1
Totals	6	6	6	6

Regulatory Compliance

Description

The Regulatory Compliance Department provides support to Technical Services Department with consistently high quality analytical laboratory and Source Control services.

Laboratory analyses fall into one of four categories:

- 1) Required for regulatory compliance within District's operating permits;
- 2) Needed for operational control of the complex treatment processes;
- 3) Requested by staff or contracted consultants in support of special studies; or
- 4) Quality control.

Link to District Goals in Strategic Plan

The Regulatory Compliance Department supports NapaSan's goals in the Strategic Plan through its support of the Plant Operations, Plant Maintenance, and Engineering Departments, and the Community Outreach & Pollution Prevention Program. The Regulatory Compliance Department contributes toward "**Goal Four: Employee Development**" in its analyst education outreach training program for high school and college interns (**Objective 4A**). This department also provides support in the continuance to comply with state and regional permits and reporting requirements (**Goal Seven: Regulatory Compliance, Objective 7C**).

Department Goals

Goal: Provide laboratory services efficiently and reliably, while abiding by the protocols and policies of the Quality Assurance Manual, Standard Operating Procedures and laboratory safety program.

Related Department Objectives

- Implement new Environmental Laboratory Accreditation Program (ELAP) certification requirements.
- Continue to implement a successful and effective Pretreatment Program
- Continue to characterize NapaSan's collection system raw waste stream.
- Continue to develop and implement an analyst educational outreach training program.
- Continue to review and update operational data sampling and analysis management for an efficient process control operational strategy.

Number of regulatory analyses processed

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
2,276	2,024	1,912	2,296	2,000	2,000

Number of Process Control analyses processed

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
13,410	11,459	11,693	10,944	12,000	12,000

Number of special request analyses processed

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
55	70	175	653	150	150

Number of Quality Control/Assurance analyses processed

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
8,124	7,820	9,372	10,073	9,000	9,000

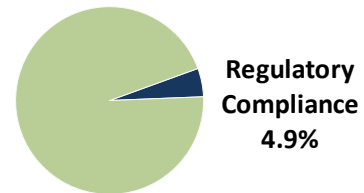
Changes in Service Levels

- Increase in laboratory services to add biosolids testing
- FY 21/22 budget adds \$3,000 for a one-time only expense for a TNI gap analysis.
- FY 21/22 budget adds \$5,000 for consulting services for an on-site assessment in anticipation of new permit requirements.



NapaSan Lab Technicians run thousands of regulatory and process control analyses annually

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 803,489	\$ 669,732	\$ 641,350	\$ 667,170	\$ 666,550	3.9%
Services & Supplies	\$ 145,513	\$ 146,672	\$ 160,100	\$ 138,634	\$ 210,800	31.7%
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 949,002	\$ 816,404	\$ 801,450	\$ 805,804	\$ 877,350	9.5%

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Regulatory Compliance Manager	1	1	1	1
Lab Technician I/II	3	3	3	3
Totals	4	4	4	4

Engineering

Description

Engineering provides technical assistance to the operational departments within NapaSan. The group is responsible for managing most of NapaSan’s capital projects and prepares project charters for projects that are included in the Ten-Year Capital Improvement Plan.

Engineering is responsible for reviewing development plans for conformance with District standards and inspection of sanitary sewer facilities. In some cases, the group prepares the design plans and specifications and provides construction management and inspection for collection system projects.

Link to District Goals in Strategic Plan

The Engineering Department supports NapaSan’s “**Goal One: Infrastructure Reliability,**” “**Goal Three: Operational Optimization,**” “**Goal Four: Employee Development**” and “**Goal Six: Resource Recovery**” by providing project management and leadership on all of the infrastructure and planning projects identified:

- Treatment Plant Master Plan update (**Objective 1D**)
- Replace 2% of sewers annually (**Objective 1A**)
- Implement the Asset Management program (**Objective 1B**)
- Continue construction of Browns Valley Road Trunk and West Napa Pump Station rehabilitation projects (**Objective 1C**)
- Construct 66-inch Sewer Trunk Main rehabilitation project (**Objective 1F**)
- Study whether to implement a Private Lateral Program (**Objective 1E**)
- Evaluate and plan for potential impacts of sea/river level rise, prolonged drought and increased winter storm intensity to NapaSan’s current and future operations (**Objective 3C**)
- Continue to study the expansion of accepting and treating winery waste through alternative methods (**Objective 3D**)
- Work with local partners to achieve long-term recycled water goals (**Objective 6C**), evaluate the current recycled water allocation policy (**Objective 6A**), evaluate the feasibility of “purified water” potable reuse (**Objective 6D**), and renew recycled water user agreements (**Objective 6B**)
- Evaluate energy self-generation to reduce overall energy costs (**Objective 6E**)
- Hiring high school and college interns (**Objective 4A**)

Department Goals

Goal: Plan and implement the Ten-Year Capital Improvement Plan.

Related Department Objectives

- Initiate capital projects that are scheduled to begin within the fiscal year and finalize those projects that are scheduled to be completed within the fiscal year.
- Develop and utilize capital program management system to monitor and report progress of active capital projects.
- Continue construction of the Browns Valley Road Trunk and West Napa Pump Station projects.
- Begin construction of the 66-inch Sewer Trunk Main Rehabilitation project.

Goal: Plan projects to ensure that the renewal or replacement of existing assets is completed according to condition assessments and estimated useful lives of assets.

Percent of Annual Capital Plan Expended

<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>	<u>21/22</u>
54.3%	42.1%	40.1%	34.1%	85%	85%

Capital Expenses as Percent of Operating Expenses

<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>	<u>21/22</u>
78%	127%	161%	69.3%	125%	125%

Percent of Sewer Mains Rehabilitated

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
2.2%	2.5%	2.3%	2.1%	2.0%	2.0%

Renewal & Replacement of Assets

(as a % of asset net worth – 2% minimum, 4% goal)

<u>16/17</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>	<u>21/22</u>
3.8%	3.9%	5.8	4.3%	4%	4%

Related Department Objectives

- Continue implementation of a formal asset management plan.
- Plan for and complete renewal & replacement capital projects that impact approximately 4% of NapaSan's total assets annually.
- Complete the Summer 2021 Sewer Rehabilitation project and complete in-house design of the Summer 2022 I&I project to reduce peak wet-weather flow.

Goal: Complete the first review of development plans submitted for District approval within 30 calendar days.

Related Department Objectives

- Review and return development plans within 30 days of submittal NapaSan.
- Respond to requests for information from the general public and other local agencies within three working days of request.
- Respond to an estimated 800 phone requests and 225 counter requests for development related information.
- Conduct an estimated 1,000 activities related to construction inspection of NapaSan collection system and recycled water facilities, include locating sewers, permit processing, preconstruction meetings, inspections, and updating record drawings.

Development Review Response Time

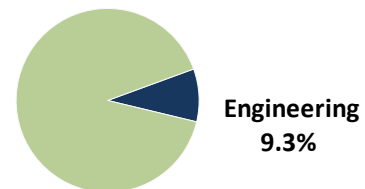
(% of applications where 30-day goal is met)

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
98.3%	99.8%	99.5%	100%	95%	95%

Changes in Service Levels

- FY 21/22 budget adds \$23,000 for internship positions.
- FY 21/22 budget adds \$150,000 for a climate action plan.

Percent of Operating Budget



Department Operating Budget

	<u>Actual</u> FY 18/19	<u>Actual</u> FY 19/20	<u>Adjusted</u> FY 20/21	<u>Estimated</u> FY 20/21	<u>Budget</u> FY 21/22	<u>Percent</u> <u>Change</u>
Salaries & Benefits	\$ 1,421,162	\$ 1,234,535	\$ 1,241,600	\$ 1,333,250	\$ 1,338,900	7.8%
Services & Supplies	\$ 128,887	\$ 80,401	\$ 138,300	\$ 112,271	\$ 320,250	131.6%
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 1,550,049	\$ 1,314,936	\$ 1,379,900	\$ 1,445,521	\$ 1,659,150	20.2%

Position Authorizations

<u>Position Series</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>
Technical Services Director	1	1	1	1
Senior Civil Engineer	1	1	1	1
Junior/Assistant/Associate Engineer	2	2	2	2
Asset Management Analyst I	1	1	1	1
District Inspector I/II	2	2	2	2
Totals	7	7	7	7

Collection System

Description

The purpose of the Collection System Department is to clean and maintain, inspect, repair, replace or rehabilitate sanitary sewer lines, manholes and other related facilities to assure the structural integrity of NapaSan's sewer system in a manner that results in the most economical operation while maintaining regulatory compliance.

Link to District Goals in Strategic Plan

The Collection System Department supports the NapaSan's "**Goal One: Infrastructure Reliability**" by taking both preventive and corrective actions to maintain the infrastructure of the sewer system, and by assisting the Engineering staff in the design of capital projects. Specifically, the Department provides maintenance data and analysis in support of the sewer rehabilitation projects (**Objective 1A**) and in decisions made as part of the Asset Management program (**Objective 1B**).

Department Goals

Goal: To prevent sanitary sewer overflows (SSO's). Especially important is to prevent Category 1 overflows that are defined as an SSO that reached a drainage channel and/or surface water or; an SSO that reached a storm drain pipe that was not fully recovered and returned to the sanitary sewer system.

Related Department Objectives

- Support Engineering in the design and implementation of annual I&I and other projects designed to reduce overflows through ongoing asset condition assessment, identifying specific performance problems, and pre-design reconnaissance.

Goal: To insure infrastructure stability by performing preventive maintenance on the Collection System. This includes inspection and cleaning of the sewer system.

Related Department Objectives

- Maintain the sewer lateral preventive maintenance program at current service levels.
- Video inspect 10% of the sewer mains in NapaSan's system
- Clean at least 40% of NapaSan's sewer mains per year.
- Continue root foaming sewer mains as needed, including related laterals and manholes, to reduce root intrusion.
- Work to eliminate higher maintenance sewer mains by replacing or repairing them.
- Replace or rehabilitate 60 public laterals.
- Move forward in gathering, storing and disseminating asset and work information in an economical way with completeness and accuracy, including sharing with other departments in NapaSan and others as needed.

Category 1 Sewer Overflows per 100 miles of main (NapaSan compared to California and SF Regional averages)

	2017	2018	2019	2020	2021	2022
NapaSan	13.6	0.7	6.6	0.4	0	0
CA	5.7	3.9	5.2	3.4	na	na
Reg	6.2	5.2	6.7	3.6	na	na

Category 1 Sewer Overflows per 100 miles of laterals (NapaSan compared to California and SF Regional average)

	2017	2018	2019	2020	2021	2022
NapaSan	0.0	1.4	0.7	0.0	0	0
CA	2.0	44.3	4.3	2.2	na	na
Reg	0.0	1.0	0.9	2.4	na	na

Sewer Main Condition Assessment (% of sewer mains video inspected) (Goal is 10% per year)

2017	2018	2019	2020	2021	2022
9.4%	16.9%	15.3%	18.1%	10%	10%

Percent of Main Lines Cleaned (Goal is 40%)

2017	2018	2019	2020	2021	2022
42.5%	57.9%	53.7%	66.8%	40%	40%

Planned Maintenance as Ratio of Total Maintenance (Goal is 90%)

2017	2018	2019	2020	2021	2022
88.5%	99.2%	99.2%	99.6%	90%	90%

Number of Public Laterals Replaced or Rehabilitated (Goal is 60 per year)

2017	2018	2019	2020	2021	2022
53	74	90	91	60	60

Goal: To provide quality customer service by responding to customer requests for service and being on site within 30 minutes of receiving the call.

Related Department Objectives

- Continue to respond to the needs of the community in a timely and professional manner within 30 minutes, while trying to reduce the number of emergency service calls.

Average Number of Minutes to Respond

2017	2018	2019	2020	2021	2022
26	26	25	22	30	30

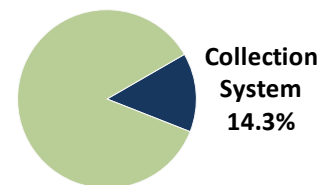
Changes in Service Levels

- FY 21/22 budget adds \$50,000 for root control program
- FY 21/22 budget removes \$12,500 to reduce easement maintenance program due to a lack of need



Collection system workers excavate a sewer lateral to make repairs

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 2,337,959	\$ 1,863,309	\$ 1,848,200	\$ 1,783,286	\$ 2,101,450	13.7%
Services & Supplies	\$ 362,535	\$ 427,717	\$ 405,500	\$ 358,267	\$ 452,800	11.7%
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 2,700,494	\$ 2,291,026	\$ 2,253,700	\$ 2,141,553	\$ 2,554,250	13.3%

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Collection System Manager	1	1	1	1
Collection System Supervisor	1	1	1	1
Collection System Technician	1	1	1	1
Collection System Worker III	2	2	2	2
Collection System Worker IT/I/II	10	10	10	10
Totals	15	15	15	15

Water & Biosolids Reclamation

Description

This department is responsible for the effective and efficient distribution of recycled water and management of biosolids in a manner that respects the environment, maintains public health and conforms to local, state and federal regulations.

After the treatment of wastewater, NapaSan generates recycled water to “Title 22 Unrestricted Use” quality, which is permitted under State of California Regulations for almost any use except potable (drinking) water. NapaSan delivers this water to vineyards, golf courses, cemeteries, parks and athletic fields, and for landscape irrigation purposes.

Biosolids are managed by this department through land application. This method avoids expensive off-site hauling and disposal of biosolids, with significant savings to the ratepayers.

Link to District Goals in Strategic Plan

The Water & Biosolids Reclamation Department supports NapaSan’s “**Goal Six: Resource Recovery**” through its support of local partners and the Engineering Department’s projects to construct distribution systems for recycled water (**Objective 6B**) and providing technical assistance regarding recycled water allocation policy (**Objective 6A**).

Department Goals

Goal: Distribute recycled water during the summer months through sales to customers and on District-owned property.

Related Department Objectives

- Maintain recycled water availability at 100% during the non-discharge period.
- Distribute 994 million gallons (2,895 acre feet) recycled water, with 95% sold to customers.
- Complete annual recycled water user site inspections, issuing no Notices of Non-compliance.
- Complete conversion of properties to recycled water in Napa Airport Centre.
- Facilitate and/or assist with MST and Los Carneros Water District customers connecting to the system.

Recycled Water Service Availability

(% of time RW is available to customers – May to Oct.)

2017	2018	2019	2020	2021	2022
100%	99%	100%	99%	100%	100%

Recycled Water Reuse by Customers

(% of recycled water sold to customers – May to Oct.)

2017	2018	2019	2020	2021	2022
83.1%	91.6%	87.9%	94.8%	90%	90%

Goal: Dispose of 100% of biosolids through land application on District-owned property.

Related Department Objectives

- Apply approximately 1,200 dry tons of dewatered biosolids on District land.
- Put 100% of the biosolids applied to NapaSan land to beneficial reuse, through active agricultural practices on the land (growing crops, grazing sheep, etc.).

Biosolids Put to Beneficial Reuse

(% of biosolids applied to seeded & harvested acres)

2017	2018	2019	2020	2021	2022
100%	100%	100%	100%	100%	100%

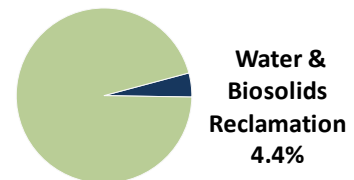
Changes in Service Levels

- FY 21/22 budget removes \$17,000 for the removal of the modular and debris on the Somky property..
- FY 21/22 budget removes \$60,000 for a new recycled water report requirement to the SWCRB.
- FY 21/22 budget removes \$60,000 for the cathodic protection testing



Irrigating Jameson Ranch with recycled water

Percent of Operating Budget



Department Operating Budget

	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 561,366	\$ 486,786	\$ 470,250	\$ 480,154	\$ 483,400	2.8%
Services & Supplies	\$ 259,137	\$ 206,876	\$ 400,200	\$ 286,863	\$ 271,750	(32.1%)
Other	\$ 40,691	\$ 30,541	\$ 42,400	\$ 34,220	\$ 35,000	(17.5%)
TOTAL EXPENDITURES	\$ 861,193	\$ 724,203	\$ 912,850	\$ 801,237	\$ 790,150	(13.4%)

Position Authorizations

Position Series	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Reclamation Systems Director	1	1	1	1
Reclamation Maintenance Worker I/II	2	2	2	2
Totals	3	3	3	3

Non-Departmental Expenses

Description

These expenses are not directly attributable to a specific department or program. They include expenses that are allocated at the District level, such as NapaSan memberships in organizations and associations, liability insurance, refunds of sewer service charges, debt service payments, unfunded liability portion of pension and OPEB expenses, and interfund transfers.

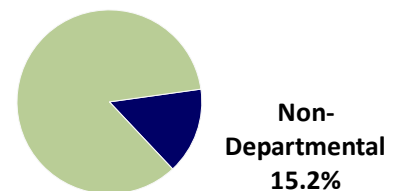
Changes in Service Levels

- There is an increase in the FY 21/22 budget of \$200,000 for liability insurance premiums.
- Additional payment to the PERS Unfunded Actuarial Liability of \$505,000 is included.



Treatment plant biogas holder (left) and digester (right)

Percent of Operating Budget



Non-Departmental Operating Budget

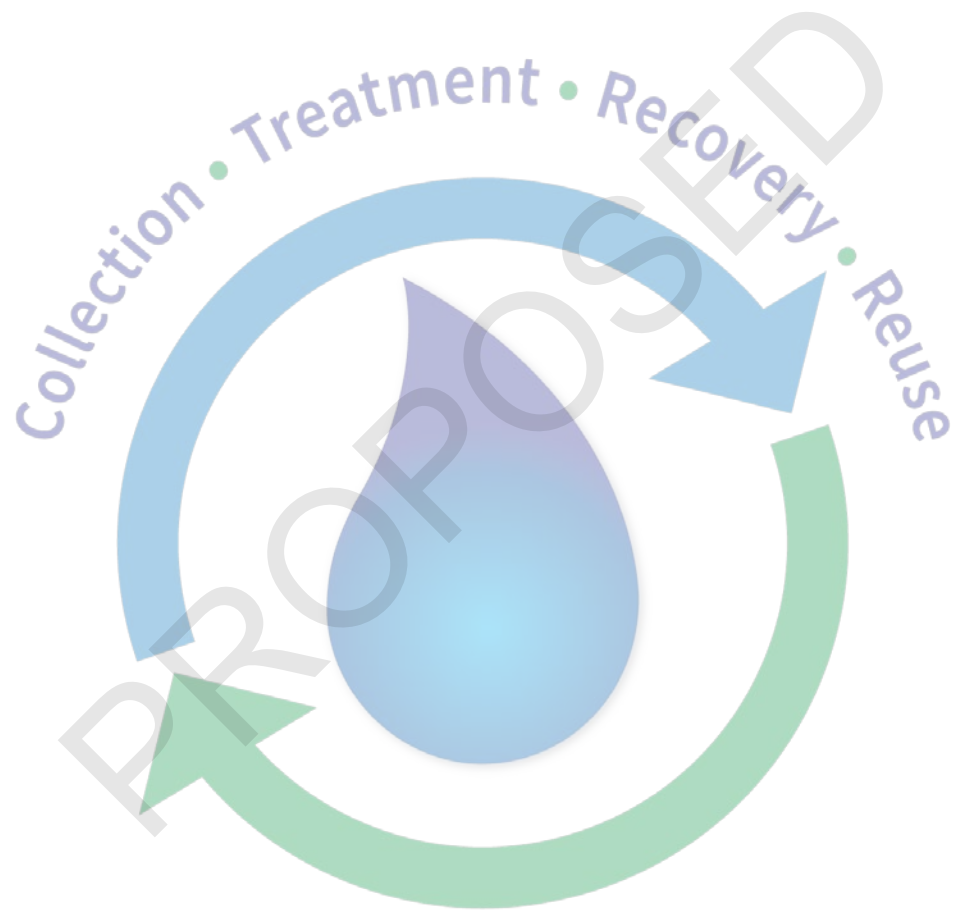
	Actual FY 18/19	Actual FY 19/20	Adjusted FY 20/21	Estimated FY 20/21	Budget FY 21/22	Percent Change
Salaries & Benefits	\$ 1,346,311	\$ 1,846,670	\$ 1,396,400	\$ 1,253,100	\$ 2,027,100	45.2%
Services & Supplies	\$ 282,016	\$ 355,247	\$ 490,300	\$ 500,326	\$ 691,350	41.0%
Debt Service, Transfers and Taxes	\$ 11,272,161	\$ 4,605,685	\$ 13,588,000	\$ 9,588,000	\$ 14,149,550	4.1%
TOTAL EXPENDITURES	\$ 12,900,488		\$ 15,474,700	\$ 11,341,426	\$ 16,868,000	9.0%

Capital Improvement Plan



Installation of recycled water pipeline in the Los Carneros Water District area

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NapaSan

Capital Improvement Plan

Program Description

The Capital Improvement Plan (CIP) is designed to identify capital expenditures for the next ten years and to plan appropriately for how to complete those projects within projected revenues and staffing capacity. The plan includes the replacement and rehabilitation of existing capital assets as well as the acquisition or construction of new capital assets.

Definition of Capital Expenditures

Capital expenditures, or capital outlays, are cash outlays by NapaSan that result in the acquisition or construction of a capital asset. A capital asset is any asset of significant value (over \$5,000) that has a useful life of over one year. Examples include land, buildings, machinery, vehicles and equipment. All capital assets acquired or constructed are included in the Capital Improvement Plan. Land is always considered a capital asset, regardless of value.

Capital Plan Development Process

Annually, NapaSan updates its Ten-Year Capital Improvement Plan. The plan undergoes several levels of review and alteration. First, a project is individually evaluated to determine whether it is necessary to do the project, or if a less expensive alternative is available. If the project is still the best alternative, then an evaluation is done to determine when the project should be done, based on the condition of the existing assets or the operational and maintenance needs for the project.

Management and supervisory staff also are provided an opportunity to identify new capital projects through the Project Charter process. New projects are proposed to the Capital Program Manager and the District Engineer who evaluate the projects and determine their need and level of priority. Once vetted through this process, new projects are added to the CIP as funding allows.

Vehicle Replacement Guidelines

NapaSan maintains a fleet of vehicles used solely for purposes related to the direct maintenance and operations of NapaSan. When a vehicle is purchased, it is identified at that time how long that vehicle should continue to serve its intended function, provided that the vehicle is maintained properly. The replacement of that vehicle is then scheduled in the Capital Improvement Plan, to ensure that NapaSan has adequately planned for the replacement costs associated with the vehicle.

Every year, a team of NapaSan staff reviews the list of vehicles owned by NapaSan and the replacement schedule. The team makes the following recommendations:

- Move vehicles back or forward on the replacement schedule based on the maintenance history of the vehicle and any current maintenance problems;
- Move vehicles back or forward on the schedule based on regulatory requirements (such as CARB requirements for diesel engines);
- Move vehicles between organizational units when the use of the vehicle changes;
- Identify whether a vehicle scheduled for replacement should be recommended for surplus, or when it could still be used effectively by another department; and
- Identify when service needs have changed that could necessitate that a vehicle be replaced by a different type of vehicle or not at all.



The combination vacuum truck was replaced in 2018.

Senior management reviews the recommendations of the Fleet Team, accepts or rejects recommendations, and incorporates accepted changes into the Ten-Year Capital Improvement Plan. All decisions to declare a vehicle surplus and replace the vehicle are brought to the NapaSan Board of Directors for approval, in accordance with procurement policy.

The replacement of fleet vehicles represents almost \$6.9 million, or 3.0% of the entire Ten-Year Capital Improvement Plan. All revenues collected from the sale of any vehicles declared surplus are used to offset the cost of new vehicles.

Sources of Capital Expenditure Funding

There are several sources of funding for capital projects. NapaSan collects capacity charges on new development to pay for its share of expanding the collection and treatment systems. NapaSan also collects sewer service charges revenue in excess of operational needs to pay for replacement and rehabilitation projects. The fees collected as part of development plan review are used for capital projects, as well as grant and intergovernmental revenue.

Use of Capacity Charges for Expansion

NapaSan imposes a capacity charge on new development (see the Budget Summary section, page 36, for more information on this revenue source).

In August 2009, NapaSan completed a study of capacity charges. The study determined that from FY 1995/96 to FY 2007/08, there was significantly more money spent to provide new capacity (expansion) than there was capacity charge revenue collected. As of July 1, 2008, the expansion fund (capacity charges) was in deficit to existing ratepayers and the capital projects fund by \$12.6 million.

As new projects are completed, their benefit to existing users and to new development is evaluated, and a split of expenses between the two is assigned. At the end of the fiscal year, the deficit is adjusted based on the amount of revenue received in capacity charges and the amount of capital expenditure for expansion projects. The following represents a summary of this accounting:

<u>Actual</u>		FY 2016/17 – Revenues	5,359,233
Beginning Deficit (7/1/08)	(\$12,607,167)	FY 2016/17 – Expansion Projects	(703,992)
FY 2008/09 – Revenues	1,387,193	FY 2017/18 – Revenues	6,543,602
FY 2008/09 – Expansion Projects	(1,663,801)	FY 2017/18 – Expansion Projects	(1,847,962)
FY 2009/10 – Revenues	600,664	FY 2018/19 – Revenues	2,397,646
FY 2009/10 – Expansion Projects	(2,191,370)	FY 2018/19 – Expansion Projects	(2,783,620)
FY 2010/11 – Revenues	2,183,802	FY 2019/20 – Revenues	4,407,435
FY 2010/11 – Expansion Projects	(2,811,161)	<u>FY 2019/20 – Expansion Projects</u>	<u>(3,163,795)</u>
FY 2011/12 – Revenues	3,330,418	Ending Deficit (6/30/20)	(\$14,956,538)
FY 2011/12 – Expansion Projects	(4,208,445)		
FY 2012/13 – Revenues	2,693,047	<u>Estimated/Projected</u>	
FY 2012/13 – Expansion Projects	(2,171,064)	Beginning Deficit (7/1/20)	(\$14,956,538)
FY 2013/14 – Revenues	3,635,826	FY 2020/21 – Revenues	1,742,800
FY 2013/14 – Expansion Projects	(7,447,155)	FY 2020/21 – Expansion Projects	(20,729,570)
FY 2014/15 – Revenues	3,341,297	FY 2021/22 – Revenues	3,580,000
FY 2014/15 – Expansion Projects	(10,657,234)	<u>FY 2021/22 – Expansion Projects</u>	<u>(9,020,640)</u>
FY 2015/16 – Revenues	3,252,412	Projected Ending Deficit	(\$39,383,948)
FY 2015/16 – Expansion Projects	(1,832,349)	(6/30/2022)	

A budget deficit and situation where expenses on expansion projects exceeds revenues means that the current ratepayers in the system are paying more than their allocated share of capital expenses, as the deficit is made up using sewer service charges and other revenues from operational sources.

A copy of the Capacity Charges Report for Fiscal Year 2019/20 can be found in Appendix F of this budget document.

Changes from Prior CIP

The CIP was amended by the Board after initial adoption during FY 2020/21 to carry forward the budgets of unfinished projects from the prior year of \$22,656,650 (details below). Other changes were made on the General Manager's approval, moving budget from one project to another. The failure of the siphon gate at the North Napa Pump Station caused a need to replace it unexpectedly. The cost of the replacement was \$25,000. An additional \$140,000 was added to the budget for the Primary Clarifier and DAF Clarifier Rehabilitation project after discovering additional work was necessary to successfully complete the project. There were no other significant changes made to the CIP during the last fiscal year, not counting carry forwards of uncompleted capital projects.



The aeration basin panels were replaced in 2017.

Summary of FY 2021/22 Capital Projects

The following is a summary of FY 2021/22 capital projects. **Dollar amounts noted are the amounts budgeted for FY 2021/22, and not the entire amount of the project.** For complete financial information, see the table of projects that follows, starting on page 84.

Collection System – Collection System projects represent significant and routine replacement or rehabilitation of existing pipeline or equipment. These projects are designed to replace or improve assets to extend their useful lives or to improve their function by reducing how rainwater and groundwater can enter the collection system. Major projects beginning or continuing this year include the Browns Valley Trunk project, the Summer 2021 Sewer Rehabilitation project, and the Summer 2022 Sewer Rehabilitation project. Collection system projects for the fiscal year total \$15,654,700.

Collection System Equipment – The Collection Department will be replacing the vacuum truck that has reached the end of its useful life and will allow staff to continue to efficiently maintain the sewer lines. The cost of the truck is estimated to be \$648,400. The total for Collection System Equipment for FY 2021/22 is \$734,200.

Lift Stations – Lift stations are pump stations within the sewer collection system. In FY 2021/22, a study to rehabilitate/replace the River Park Pump Station will begin. The total for the year is \$75,000.

Treatment – FY 2021/22 includes completing the Wastewater Treatment Plant Master Plan and a project to make various improvements to the Treatment Plant facilities. Capital costs in this area total \$2,479,800 for this fiscal year.

Ten-Year CIP Summary

	<u>FY 2021/22</u>	<u>10-Year CIP</u>
Collection System Projects	\$15,654,700	\$135,193,900
Collection System Equipment	734,200	4,787,100
Collection System Lift Stations	75,000	312,600
Treatment Projects	2,479,800	62,711,650
Treatment Equipment	217,700	6,561,200
Lab Equipment	160,900	1,573,200
SCADA	250,000	3,300,000
Recycling Projects	170,000	3,589,000
Recycling Equipment	20,000	3,612,200
Other	366,000	9,969,200
Total	\$20,128,300	\$231,610,050

Treatment – Equipment – These projects include a number of equipment replacements. The total FY 2021/22 projected expenditure is \$217,700.

Lab Equipment – This category includes the replacement of various lab equipment including the FIA and IC units. The total capital costs in this category is \$160,900.

SCADA – SCADA is the hardware and software that is used to operate the treatment plant. In FY 2021/22, planned expenditures include the SCADA Network Upgrades (\$125,000) and Alarm Evaluation & Programming (\$125,000).

Recycling-Projects – This section includes projects to expand or rehabilitate major components of the recycled water distribution system and biosolids application program. The FY 2021/22 plan includes continued environmental plan development and grant applications with the NBWRA. The total FY 2021/22 expenditure is \$150,000.

Recycling-Equipment – This section includes projects to replace equipment necessary to manage or maintain the recycled water distribution system or the biosolids application program. A new electronic dispensing unit for recycled water truck fill station at the Treatment Plant is included for FY 2021/22. The budget also includes upgrading the meter reading software. Total FY 2021/22 budget is \$40,000.

Other – Development technical support is the capitalization of staff time spent reviewing the plans and inspections associated with contributed capital. In FY 2021/22, the expenditure for this is projected to be \$361,000. A paving project at the Treatment Plant is also included in this section. The total for FY 2021/22 is \$366,000.

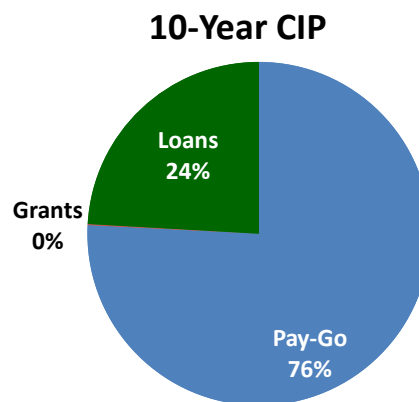
FY 2021/22 Partner-Funded Projects

There are no partner-funded projects in the FY 2021/22 Capital Improvement Plan.

10-Year Capital Project Funding Summary

The following table summarizes the 10-Year Capital Improvement Plan by the type of funding. “Pay-Go” refers to pay-as-you-go financing, meaning that the projects are funded from existing resources, either cash on hand or from annual revenue sources such as sewer service charges or capacity charges. “Grant” refers to funding from any federal, state or local government that does not have to be repaid. “Loans” refers to any long-term financing, such as revenue bonds, Certificates of Participation, State Revolving Fund loans, or federal loans.

	Pay-Go	Grants	Loans
FY 21/22	64.6%	-	35.4%
FY 22/23	100.0%	-	-
FY 23/24	100.0%	-	-
FY 24/25	100.0%	-	-
FY 25/26	100.0%	-	-
FY 26/27	100.0%	-	-
FY 27/28	90.5%	-	9.5
FY 28/29	67.9%	-	32.1%
FY 29/30	64.6%	0.1%	35.4%
FY 30/31	41.4%	0.5%	58.1%



Unfunded or Delayed Projects

The Capital Improvement Plan includes projects that have been clearly identified and programmed. It also includes some “placeholder” projects, where the specific project has not been identified but there is money allocated nonetheless. These placeholders are included in the plan to recognize that there is the need to plan for future replacement and rehabilitation projects, even though the specific projects have not yet been scoped and planned. Providing a placeholder for these future projects will ensure that there are adequate resources to pay for these projects once they are known. Completion of the Treatment Plant Master Plan will identify many of these projects and the timing of when they will be needed. In addition, as NapaSan further develops its Asset Management Program, these placeholders will be replaced with actual projects.

In FY 2021/22, revenues from sewer service charges and capacity charges are expected to be affected and will be lower than normal due to the financial strain that the coronavirus pandemic has caused on the Napa community. However, the impact will not be as severe as initially anticipated. Projects in the CIP that were pushed out to being in later years have been adjusted back to original start dates.

Impact of Projects on Operating Budget

Most of the capital projects planned for FY 2021/22 are replacements and rehabilitations of existing capital assets, so it is not expected that these capital projects will have an impact on future operating budgets. However, a few of the FY 2021/22 capital projects will have a significant impact on the current and future NapaSan operations and maintenance budgets.

The Browns Valley Trunk project (CIP #14703) will increase the amount of sewer main that will need to be maintained in the Collection System (an additional 3 miles). However, it is not significant enough in size to impact the staffing levels in the Collection System operating budget. A small impact on chemicals and water for cleaning activities is expected.

The West Napa Pump Station Replacement (CIP #17711) is being designed to reduce the current electricity consumption by at least 20%. The estimated annual savings is \$3,600 starting in FY 2021/22.

The Rehabilitation projects in the Collection System will decrease the amount of rain and groundwater that get into the system. This reduces future costs by reducing the amount of influent that needs to be treated. It also reduces the need for cleaning and root removal maintenance activities. The immediate, short-term savings have not been calculated, but should have a positive effect on the operating budget.

Net Impacts of Capital Projects on Operating Budget

CIP #	2021/22	2022/23	2023/24
14703	\$1,500	\$1,500	\$1,500
17711	(3,600)	(3,600)	(3,600)
Total	(\$2,100)	(\$2,100)	(\$2,100)

FY 2021/22
CIP Project Descriptions

COLLECTION SYSTEM

13701 Mainline Sewer Rehabilitation		FY 2021/22:	\$64,300
<i>Ongoing program to conduct spot repairs to damaged sewer lines using NapaSan crews or an outside contractor, extending the useful life of these assets.</i>			
13702 Manhole Raising		FY 2021/22:	\$356,300
<i>Ongoing program to fund the raising of manhole rims in streets that have been resurfaced.</i>			
13703 Lateral Replacement / Rehabilitation		FY 2021/22:	\$117,800
<i>Ongoing program to rehabilitate street laterals as required using NapaSan crews.</i>			
13704 Cleanout Installation / Rehabilitation		FY 2021/22:	\$114,600
<i>Ongoing program using NapaSan crews to install lateral clean-outs at the property line where one does not exist.</i>			
13705 Inflow & Infiltration (I&I) Reduction Program		FY 2021/22:	\$237,500
<i>This program conducts flow monitoring and field reconnaissance for I&I reduction projects. A consultant and NapaSan staff will analyze the effectiveness of the I&I reduction projects.</i>			
20701 Upper Lateral Rehabilitation Project #5	Project Total: \$201,000	FY 2021/22:	\$5,000
<i>This pilot project will replace residential private sewer lateral pipes in a strategic area where the public system has already been rehabilitated.</i>			
20702 Manhole Rehabilitation		FY 2021/22:	\$258,800
<i>Ongoing program to rehabilitate manholes that have I&I or are in otherwise poor condition.</i>			
21718 North Napa Siphon Gate Replacement	Project Total: \$525,000	FY 2021/22:	\$300,000
<i>This project will replace the existing flow-control gates that have corroded and become inoperable.</i>			
14703 Browns Valley Trunk Interceptor	Project Total: \$25,634,479	FY 2021/22:	\$7,000,000
<i>The project will intercept sewage from the West Napa and Browns Valley area and bypass it around the downtown area. The project goal is to convey increased flows in the sewer system and to decrease the potential for overflows.</i>			
20703 2021 Collection System Rehabilitation	Project Total: \$6,215,800	FY 2021/22:	\$2,785,800
<i>This collection system project will rehabilitate approximately 1.6% of sewer mainlines and will be designed and constructed to reduce I&I in various high priority areas.</i>			
21701 2022 Collection System Rehabilitation	Project Total: \$6,996,500	FY 2021/22:	\$4,394,600
<i>This collection system project will rehabilitate approximately 2% of sewer mainlines and will be designed and constructed to reduce I&I in various high priority areas.</i>			
22701 2023 Collection System Rehabilitation	Project Total: \$7,025,700	FY 2021/22:	\$20,000
<i>This collection system project will rehabilitate approximately 2% of sewer mainlines and will be designed and constructed to reduce I&I in various high priority areas.</i>			

COLLECTION SYSTEM EQUIPMENT

22702 Locatable Mini-Camera #3 Replacement		FY 2021/22:	\$12,700
<i>This project will purchase a new CCTV camera to replace an existing camera that is at the end of its useful life.</i>			

FY 2021/22
CIP Project Descriptions

22703 Vehicle 183 - Ford F-550 Repair Truck **FY 2021/22: \$73,100**

This project will purchase a new vehicle to replace an existing vehicle that is at the end of its useful life.

22704 Vehicle 528 - Vacuum Truck **FY 2021/22: \$648,400**

This project will purchase a new vacuum truck to replace an existing vacuum truck that is at the end of its useful life and no longer functions properly.

LIFT STATIONS

22705 River Park Pump Station Improvements **FY 2021/22: \$75,000**

The River Park Pump Station requires upgrades in the near future. The FY 2021/22 budget will fund a study to determine the schedule, scope of work, and approximate cost of the upgrade project.

TREATMENT - Projects

20706 WWTP Master Plan **Project Total: \$1,870,200** **FY 2021/22: \$629,800**

This project will update the Wastewater Treatment Plant Master Plan which was last updated in 2011.

20708 2021 Treatment Plant Improvements Project **Project Total: \$2,600,000** **FY 2021/22: \$800,000**

This project will replace or rehabilitate assets at the treatment plant, including valves and polymer tanks. This project also included a condition assessment of the 3W system.

22706 2023 Treatment Plant Improvements Project **Project Total: \$2,350,000** **FY 2021/22: \$150,000**

This project will replace or rehabilitate assets at the treatment plant, including the digester tower elevator and the primary and secondary clarifier drives.

20707 Pond Levee Repair **Project Total: \$1,700,000** **FY 2021/22: \$900,000**

This project will repair pond levees and install new transfer structures between Ponds 3 and 4 and between Ponds 2 and 4.

TREATMENT - EQUIPMENT

22707 Belt Press Augers **FY 2021/22: \$60,000**

This project will purchase two new belt press discharge augers, an auger gearbox with chain and sprocket, and a new belt.

22708 Pump - CCB Service Water #1 Rebuild **FY 2021/22: \$65,000**

This project will rebuild an existing 200 horsepower pump that is at the end of its useful life.

22709 Roof Replacement - Filter Support **FY 2021/22: \$68,900**

This project will replace an existing roof that is at the end of its useful life.

22710 Plant Door Replacement - Phase 3 **Project Total: \$119,000** **FY 2021/22: \$23,800**

This project will replace doors throughout the plant which are at the end of their useful lives.

22711 Lab - Refrigerator Replacement **FY 2021/22: \$16,100**

This project will replace two refrigerators in the lab that have reached the end of their useful lives.

22712 Lab - BOD Incubator Replacement **FY 2021/22: \$9,300**

This project will replace a BOD incubator that has reached the end of its useful life.

FY 2021/22
CIP Project Descriptions

22713 Lab - Sampler 5800 Replacement		FY 2021/22:	\$15,500
<i>This project will replace an existing sampler that has reached the end of its useful life.</i>			
22714 Lab - FIA Unit Replacement		FY 2021/22:	\$50,000
<i>This project will replace the existing FIA unit that has reached the end of its useful life.</i>			
22715 Lab - IC Unit Replacement		FY 2021/22:	\$70,000
<i>This project will replace the existing IC unit that has reached the end of its useful life.</i>			
<u>SCADA</u>			
21713 SCADA Network Upgrades	Project Total: \$925,000	FY 2021/22:	\$125,000
<i>This project will address tasks that carry the most risk for the SCADA system, mostly stemming from networking and main controller equipment failures. FY 21/22 is the second year of a four-year project to implement these upgrades.</i>			
21714 Alarm Evaluation & Programming	Project Total: \$150,000	FY 2021/22:	\$125,000
<i>This project will address the alarming system which, in addition to the network upgrades, will address the urgent SCADA items. The alarming system is responsible for notifying operators of abnormal operating conditions that require attention during times when the treatment plant is unattended.</i>			
<u>RECYCLING</u>			
13727 North Bay Water Reuse Project		FY 2021/22:	\$150,000
<i>This is the cost of program development, project management, and environmental analysis associated with the expansion of recycled water production and delivery, and seeking federal and state grant revenues in support of recycled water.</i>			
22716 SWRF Truck Fill Station Electronic Dispensing Unit		FY 2021/22:	\$20,000
<i>This project will install a new electronic dispensing unit for the recycled water truck fill station at the Soscol Water Recycling Facility.</i>			
22717 Meter Reading Software Upgrade		FY 2021/22:	\$20,000
<i>This project will upgrade the software used to conduct recycled water meter readings.</i>			
<u>OTHER</u>			
13729 Development Technical Support		FY 2021/22:	\$361,000
<i>District staff reviews and comments on development plans involving sewer and recycled water facilities and contributed capital.</i>			
22718 WWTP Site Paving	Project Total: \$1,405,000	FY 2021/22:	\$5,000
<i>This project will construct paving and roadway improvements at the treatment plant, including the driveway, the recycled water pump station, the solids handling loading dock, and other areas.</i>			

FY 2021/22 Capital Project Schedule
Allocation of Capacity Charges

#	Name	FY 21/22	% Funded by Capacity Charges	% Funded by Other Revenue	Total Capacity Charges	Total Other Revenue
COLLECTION SYSTEM						
13701	Mainline Sewer Rehab	64,300		100.0%	-	64,300
13702	Manhole Raising	356,300		100.0%	-	356,300
13703	Lateral Replacement / Rehab	117,800		100.0%	-	117,800
13704	Cleanout Installation / Rehab	114,600		100.0%	-	114,600
13705	I&I Monitoring Program	237,500	39.4%	60.6%	93,575	143,925
14703	Browns Valley Trunk	7,000,000	82.0%	18.0%	5,740,000	1,260,000
20701	Upper Lateral Rehab - Pilot #5	5,000		100.0%	-	5,000
20702	Manhole Rehabilitation	258,800	39.4%	60.6%	101,967	156,833
20703	2021 Collection System Rehabilitation	2,785,800	39.4%	60.6%	1,097,605	1,688,195
21701	2022 Collection System Rehabilitation	4,394,600	39.4%	60.6%	1,731,472	2,663,128
21718	North Napa Siphon Gate Replacement	300,000		100.0%	-	300,000
	2023 Collection System Rehabilitation	20,000	39.4%	60.6%	7,880	12,120
COLLECTION SYSTEM - EQUIPMENT						
	Locatable Mini-Camera #4 Replacement	12,700		100%	-	12,700
	Vehicle 183 - Ford F-550 Repair Truck	73,100		100%	-	73,100
	Vehicle 528 - Vacuum Truck (mini Vactor)	648,400		100%	-	648,400
LIFT STATIONS						
	River Park PS Improvements	75,000		100%	-	75,000
TREATMENT						
20706	WWTP Master Plan	629,800	39.4%	60.6%	248,141	381,659
20707	Pond Levee Repair & Transf Struct 3 to 4 & 2 to 4	900,000		100.0%	-	900,000
20708	2021 Treatment Plant Improvements Project	800,000		100.0%	-	800,000
	2023 WWTP Project - Clarifier Drives & Elevator	150,000		100.0%	-	150,000
	Roof Replacement - Filter Support	68,900		100%	-	68,900
	Plant Door Replacement - Phase 3	23,800		100%	-	23,800
	WWTP Site Paving	5,000		100%	-	5,000
TREATMENT - EQUIPMENT						
	Main - Belt Press Augers	60,000		100%	-	60,000
	Pump - CCB Svc Water #1 - 200 HP Rebuild	65,000		100%	-	65,000
LAB EQUIPMENT						
	Lab - Refrigerator (2)	16,100		100%	-	16,100
	Lab - BOD Incubator Replacement	9,300		100%	-	9,300
	Lab - Sampler 5800 Replacement	15,500		100%	-	15,500
	Lab - FIA Unit Replacement	50,000		100%	-	50,000
	Lab - IC Unit Replacement	70,000		100%	-	70,000
SCADA						
21713	SCADA Network Upgrades	125,000		100%	-	125,000
21714	Alarm Evaluation & Programming	125,000		100%	-	125,000
RECYCLING - PROJECTS						
13727	North Bay Water Reuse Project	150,000		100%	-	150,000
RECYCLING - EQUIPMENT						
	SWRF Truck Fill Station Electronic Dispensing Unit	20,000		100%	-	20,000
	Meter Reading Software Upgrade	20,000		100%	-	20,000
OTHER						
13729	Development Technical Support	361,000		100%	-	361,000
TOTAL		20,128,300			9,020,640	11,107,660

#	Name	FY 21/22 Proposed	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Projected	FY 25/26 Projected	FY 26/27 Projected	FY 27/28 Projected	FY 28/29 Projected	FY 29/30 Projected	FY 30/31 Projected	Total 10-Year CIP
	Year:	1	2	3	4	5	6	7	8	9	10	
COLLECTION SYSTEM - PROJECTS												N/A
13701	Mainline Sewer Rehab	64,300	66,500	68,900	71,300	73,800	76,300	79,000	81,800	84,600	87,600	754,100
13702	Manhole Raising	356,300	368,800	381,700	395,000	408,900	423,200	438,000	453,300	469,200	485,600	4,180,000
13703	Lateral Replacement / Rehab	117,800	122,000	126,200	130,600	135,200	140,000	144,800	149,900	155,200	160,600	1,382,300
13704	Cleanout Installation / Rehab	114,600	118,600	122,800	127,100	131,500	136,100	140,900	145,800	150,900	156,200	1,344,500
13705	I&I Monitoring Program	237,500	245,900	254,500	263,400	272,600	282,100	292,000	302,200	312,800	323,700	2,786,700
18701	I&I Smoke Testing	-	-	-	100,000	-	-	-	-	-	-	100,000
19727	Collection System Master Plan	-	-	-	-	5,000	636,150	658,400	-	-	-	1,299,550
20701	Upper Lateral Rehab - Pilot #5	5,000	196,000	-	-	-	-	-	-	-	-	201,000
	Upper Lateral Rehab - Pilot #6	-	5,000	202,800	-	-	-	-	-	-	-	207,800
20702	Manhole Rehabilitation	258,800	267,800	277,200	286,900	296,900	307,300	318,100	329,200	340,700	352,600	3,035,500
21718	North Napa Siphon Gate Replacement	300,000	200,000	-	-	-	-	-	-	-	-	500,000
14703	Browns Valley Trunk	7,000,000	-	-	-	-	-	-	-	-	-	7,000,000
17707	54/60" and 66" Trunk CCTV Inspection	-	-	20,000	250,000	-	-	-	-	-	-	270,000
	66-inch Trunk Sediment Removal	-	-	-	20,000	1,200,000	-	-	-	-	-	1,220,000
	66-inch Trunk Rehabilitation (Imola to Kaiser)	-	-	-	-	-	-	2,000,000	8,000,000	8,000,000	-	18,000,000
20703	2021 Collection System Rehabilitation (1.6%)	2,785,800	-	-	-	-	-	-	-	-	-	2,785,800
21701	2022 Collection System Rehabilitation (2%)	3,094,600	2,581,900	-	-	-	-	-	-	-	-	5,676,500
21701	2022 Collection System Rehab (bond proceeds)	1,300,000	-	-	-	-	-	-	-	-	-	1,300,000
22701	2023 Collection System Rehabilitation (2%)	20,000	3,442,600	3,563,100	-	-	-	-	-	-	-	7,025,700
	2024 Collection System Rehabilitation (2%)	-	20,000	3,622,400	3,749,200	-	-	-	-	-	-	7,391,600
	2025 Collection System Rehabilitation (2%)	-	-	20,000	3,933,600	4,071,300	-	-	-	-	-	8,024,900
	2026 Collection System Rehabilitation (2%)	-	-	-	20,000	4,071,300	4,213,800	-	-	-	-	8,305,100
	2027 Collection System Rehabilitation (2%)	-	-	-	-	20,000	4,213,800	4,361,300	-	-	-	8,595,100
	2028 Collection System Rehabilitation (2%)	-	-	-	-	-	20,000	4,361,300	4,513,900	-	-	8,895,200
	2029 Collection System Rehabilitation (2%)	-	-	-	-	-	-	20,000	4,513,900	4,671,900	-	9,205,800
	2030 Collection System Rehabilitation (2%)	-	-	-	-	-	-	-	20,000	4,671,900	4,835,400	9,527,300
	2031 Collection System Rehabilitation (2%)	-	-	-	-	-	-	-	-	20,000	4,835,400	4,855,400
	2032 Collection System Rehabilitation (2%)	-	-	-	-	-	-	-	-	-	20,000	20,000
	North Napa Trunk Phase 1 (R60-022 to R61-006)	-	40,000	1,268,900	1,106,350	-	-	-	-	-	-	2,415,250
	North Napa Trunk Phase 2 (Garfield to Big Ranch)	-	-	-	40,000	867,950	691,300	-	-	-	-	1,599,250
	Milliken Trunk Rehab Project	-	-	-	-	-	40,000	1,839,900	1,904,300	-	-	3,784,200
	El Centro and N. Jefferson Trunk Rehab Project	-	-	-	-	-	-	-	40,000	2,140,950	1,284,400	3,465,350
	Basin L Trunk Rehab Project Phase 1	-	-	-	-	-	-	-	-	-	40,000	40,000
COLLECTION SYSTEM - EQUIPMENT												N/A
16706	Locatable Mini-Camera #1 Replacement	-	-	13,600	-	-	-	-	-	-	-	13,600
18707	Locatable Mini-Camera #2 Replacement	-	-	-	-	14,600	-	-	-	-	-	14,600
20704	Locatable Mini-Camera #3 Replacement	-	-	-	-	-	-	15,600	-	-	-	15,600
22702	Locatable Mini-Camera #4 Replacement	12,700	-	-	-	-	-	-	-	16,800	-	29,500
21702	Pickup-Mounted Camera System	-	-	-	-	-	-	98,000	-	-	-	98,000
17709	Eel Replacement #1	-	-	-	-	7,300	-	-	-	-	-	7,300
20705	Eel Replacement #2	-	-	-	-	-	-	-	8,100	-	-	8,100
	Eel Replacement #3	-	-	6,800	-	-	-	-	-	-	8,700	15,500
	Eel Replacement #4	-	-	-	-	-	7,600	-	-	-	-	7,600
	Permaliner Picote - CIPP Lateral Repair Tool	-	-	-	-	26,300	-	-	-	-	-	26,300
	Vehicle 015 - Water Trailer	-	-	12,900	-	-	-	-	-	-	-	12,900
	Vehicle 016 - 18ft Trailer	-	-	11,200	-	-	-	-	-	-	-	11,200
	Vehicle 018 - Cement Trailer	-	-	40,000	-	-	-	-	-	-	-	40,000
	Vehicle 019 - CIPP Trailer	-	-	-	-	-	-	-	-	16,500	-	16,500
	Vehicle 020 - Bypass Trailer	-	-	-	-	-	-	9,800	-	-	-	9,800
	Vehicle 100 - Backhoe Trailer	-	27,100	-	-	-	-	-	-	-	-	27,100
	Vehicle 155 - Ford Ranger	-	-	-	43,500	-	-	-	-	-	-	43,500
	Vehicle 164 - Ford F-150 - Manager Truck	-	-	-	48,000	-	-	-	-	-	-	48,000
19729	Vehicle 166 - Ford F-350	-	-	-	-	-	-	-	37,800	-	-	37,800

#	Name	FY 21/22 Proposed	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Projected	FY 25/26 Projected	FY 26/27 Projected	FY 27/28 Projected	FY 28/29 Projected	FY 29/30 Projected	FY 30/31 Projected	Total 10-Year CIP
	Year:	1	2	3	4	5	6	7	8	9	10	
13712	Vehicle 173 - Plugup Truck - Secondary	-	-	79,000	-	-	-	-	-	-	-	79,000
	Vehicle 179 - Mini-Dump	-	-	-	-	72,200	-	-	-	-	-	72,200
19704	Vehicle 180 - Ford F-150 - USA truck	-	-	-	-	-	-	-	49,900	-	-	49,900
	Vehicle 182 - Mini-Dump	-	-	-	-	-	74,800	-	-	-	-	74,800
22703	Vehicle 183 - Ford F-550 Repair Truck	73,100	-	-	-	-	-	-	-	-	-	73,100
	Vehicle 185 - Plugup Truck - Primary	-	76,400	-	-	-	-	-	-	-	-	76,400
18709	Vehicle 504 - TV Truck	-	-	614,600	-	-	-	380,900	-	-	-	995,500
	Vehicle 512 - Rodder F-350	-	-	-	-	-	252,500	-	-	-	-	252,500
	Vehicle 514 - 10 Yard Dump	-	-	-	-	252,600	-	-	-	-	-	252,600
22704	Vehicle 528 - Vacuum Truck (mini Vactor)	648,400	-	-	-	-	-	-	824,900	-	-	1,473,300
	Vehicle 529 - Vacuum Truck (Vac-Con)	-	-	-	656,500	-	-	-	-	-	-	656,500
	Vehicle 706 - 410 Backhoe	-	-	-	-	-	195,000	-	-	-	-	195,000
13711	Vehicle 711 - Kubota	-	-	53,400	-	-	-	-	-	-	-	53,400
COLLECTION SYSTEM - LIFT STATIONS												N/A
22705	River Park PS Improvements	75,000	-	-	-	-	172,100	-	-	-	-	247,100
	Pump - Stanly Ranch PS Rebuild	-	-	-	-	-	-	-	-	-	27,300	27,300
19705	Pump - Stonecrest #1 - 22 HP Rebuild	-	-	-	-	12,300	-	-	-	-	-	12,300
19705	Pump - Stonecrest #2 - 22 HP Rebuild	-	-	-	-	-	12,700	-	-	-	-	12,700
19705	Pump - Stonecrest #3 - 22 HP Rebuild	-	-	-	-	-	-	13,200	-	-	-	13,200
TREATMENT - PROJECTS												N/A
20706	WWTP Master Plan	629,800	-	-	-	-	5,000	785,900	813,400	-	-	2,234,100
	WWTP MP - Second Digester	-	-	-	-	-	-	-	913,200	2,739,600	18,263,800	21,916,600
	WWTP MP - Aeration Basin Expansion	-	-	-	-	-	-	-	336,400	1,009,300	6,728,800	8,074,500
20708	2021 Treatment Plant Improvements Project	800,000	-	-	-	-	-	-	-	-	-	800,000
22706	2023 WWTP Project - Clarifier Drives & Elevator	150,000	1,000,000	1,200,000	-	-	-	-	-	-	-	2,350,000
	2025 WWTP Project	-	-	20,000	2,300,000	2,000,000	-	-	-	-	-	4,320,000
	2026 WWTP Project	-	-	-	20,000	1,935,000	871,200	-	-	-	-	2,826,200
	2027 WWTP Project	-	-	-	-	20,000	2,140,000	1,558,700	-	-	-	3,718,700
	2029 WWTP Project	-	-	-	-	-	-	20,000	1,147,500	2,487,700	-	3,655,200
	2030 WWTP Project	-	-	-	-	-	-	-	20,000	2,587,700	1,429,300	4,037,000
	2031 WWTP Project	-	-	-	-	-	-	-	-	20,000	1,429,300	1,449,300
	2032 WWTP Project	-	-	-	-	-	-	-	-	-	20,000	20,000
	Pond 1 Dredge	-	-	-	50,000	1,475,100	1,526,750	50,000	1,615,500	1,692,700	-	6,410,050
20707	Pond Levee Repair & Transf Struct 3 to 4 & 2 to 4	900,000	-	-	-	-	-	-	-	-	-	900,000
TREATMENT - EQUIPMENT												N/A
	Pond Aerators - Replacement	-	-	-	-	-	-	-	-	442,300	-	442,300
13743	Residual Analyzers (Deox) Replacements (6)	-	79,000	-	-	-	-	-	-	-	-	79,000
18711	3W Strainers (2)	-	-	-	-	-	-	-	-	125,700	-	125,700
17715	Turbidimeters (7) Tertiary Replacements	-	-	-	-	-	16,600	-	-	-	-	16,600
	Turbidimeters (9) Tertiary Replacements	-	-	-	45,800	-	-	-	-	-	-	45,800
	Main - Rotork Actuator Replacement	-	109,000	-	-	-	-	-	-	-	-	109,000
	Main - Rotork Actuator Replacement	-	-	-	116,800	-	-	-	-	-	-	116,800
18717	Main - Septage Card Reader Replacement	-	-	-	49,200	-	-	-	-	-	-	49,200
18720	Main - Neuros Blowers Rebuild	-	73,800	76,300	-	-	-	-	-	-	-	150,100
	Main - Neuros Blowers Replacement	-	-	-	-	-	-	-	576,800	-	-	576,800
	Main - Belt Press Hydraulic Actuator Replace	-	-	-	-	-	-	-	29,200	-	-	29,200
22707	Main - Belt Press Augers	60,000	-	-	-	-	-	-	-	-	-	60,000
	Main - AB Diffuser Disk Replacement	-	-	-	98,800	-	-	-	-	-	121,400	220,200
	Pump - IPS 110 Wet Well 1 - 365 HP Rebuild	-	-	61,500	-	-	-	-	-	75,600	-	137,100
	Pump - IPS 120 Wet Well 1 - 365 HP Rebuild	-	-	61,500	-	-	-	-	-	75,600	-	137,100
	Pump - IPS 140 Wet Well 1 - 135 HP Rebuild	-	-	-	63,600	-	-	-	-	-	78,200	141,800
	Pump - IPS 220 Wet Well 2 - 365 HP Rebuild	-	-	-	63,600	-	-	-	-	-	78,200	141,800
	Pump - IPS 230 Wet Well 2 - 135 HP Rebuild	-	-	-	-	65,800	-	-	-	-	-	65,800
	Pump - IPS 240 Wet Well 2 - 135 HP Rebuild	-	-	-	-	65,800	-	-	-	-	-	65,800

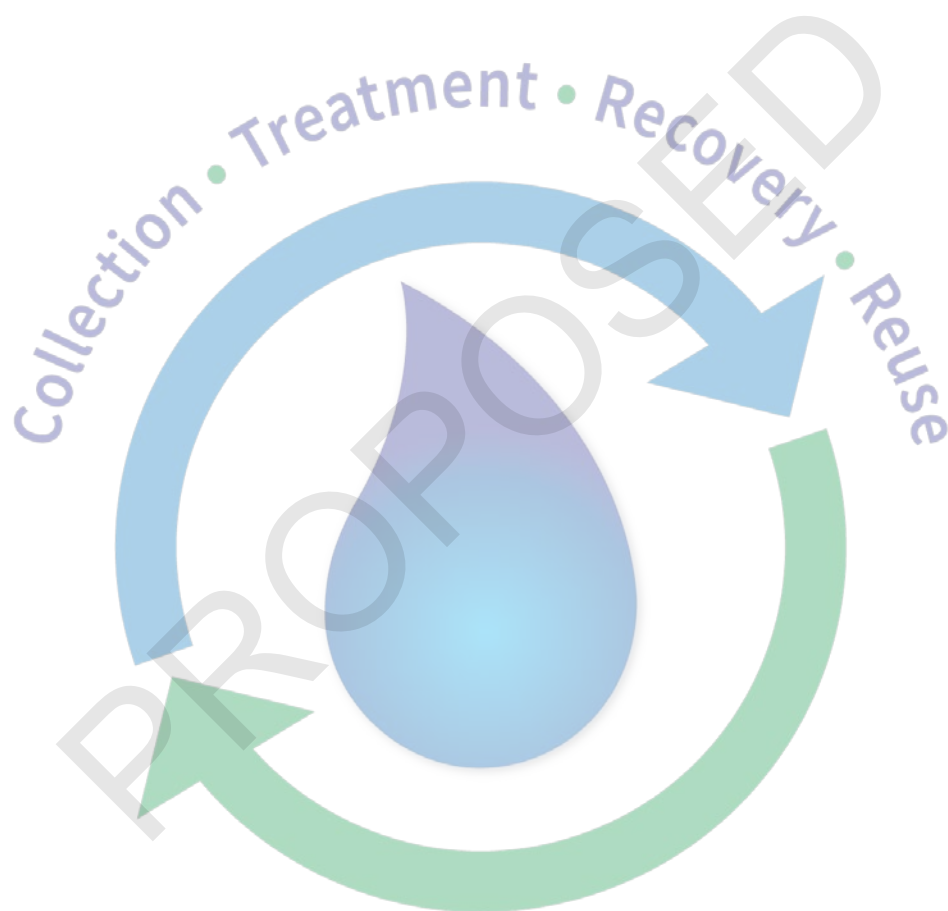
#	Name	FY 21/22 Proposed	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Projected	FY 25/26 Projected	FY 26/27 Projected	FY 27/28 Projected	FY 28/29 Projected	FY 29/30 Projected	FY 30/31 Projected	Total 10-Year CIP
	Year:	1	2	3	4	5	6	7	8	9	10	
	Pump - BPS-1 Recycle Pump #3 - 75 HP Rebuild	-	-	-	-	79,000	-	-	-	-	-	79,000
	Pump - BPS-1 Recycle Pump #1 - 75 HP VFD	-	-	-	-	-	-	70,500	-	-	-	70,500
	Pump - BPS-1 Recycle Pump #2 - 75 HP VFD	-	-	-	-	-	-	70,500	-	-	-	70,500
	Pump - BPS-1 Recycle Pump #3 - 75 HP VFD	-	-	-	-	-	-	70,500	-	-	-	70,500
	Pump - Jameson Pump #1 (200 HP no VFD)	-	-	-	-	84,600	-	-	-	-	-	84,600
	Pump - Jameson Pump #2 (200 HP no VFD)	-	-	-	81,800	-	-	-	-	-	-	81,800
	Pull Flail Chopper Replacement	-	-	-	-	-	43,600	-	-	-	-	43,600
	Vehicle 013 - Pipe Dolly	-	-	17,400	-	-	-	-	-	-	-	17,400
	Vehicle 017 - 18ft Trailer	-	-	-	-	11,000	-	-	-	-	-	11,000
	Vehicle 171 - Ford F-350	-	48,100	-	-	-	-	-	-	-	-	48,100
17733	Vehicle 172 - Ford F-150	-	-	-	43,500	-	-	-	-	-	-	43,500
	Vehicle 311 - Kubota	-	-	26,500	-	-	-	-	-	-	33,700	60,200
	Vehicle 312 - Kubota	-	-	26,500	-	-	-	-	-	-	33,700	60,200
14725	Vehicle 713 - Yanmar Tractor	-	-	-	108,000	-	-	-	-	-	-	108,000
	Vehicle 716 - 1997 Kubota Backhoe/Herbicide	-	-	-	-	-	79,800	-	-	-	-	79,800
	Vehicle 720 - KubotaTractor Loader	-	-	-	74,500	-	-	-	-	-	-	74,500
	Vehicle 721 - John Deer 8430T Tractor	-	-	-	-	396,700	-	-	-	-	-	396,700
	Vehicle 722 - John Deer 444K Loader	-	-	-	-	-	238,500	-	-	-	-	238,500
OTHER												N/A
13729	Development Technical Support	361,000	373,600	386,700	400,300	414,300	428,800	443,800	459,300	475,400	492,000	4,235,200
	Solar Purchase Buy Out	-	1,950,000	-	-	-	-	-	-	-	-	1,950,000
18732	Box Culvert - Fugundes Emergency Access	-	-	-	-	100,000	640,000	1,100,000	-	-	-	1,840,000
	Carpet Replacement - Admin/Collection Bldgs	-	-	35,600	-	-	-	-	-	-	-	35,600
	HVAC Replacement - Admin/Collection Bldgs	-	-	-	-	-	-	102,200	-	-	-	102,200
19724	Fence Repair - District Wide	-	28,700	-	-	31,800	-	-	35,300	-	-	95,800
22718	WWTP Site Paving	5,000	950,000	450,000	-	-	-	-	-	-	-	1,405,000
	EV Charging Station	-	-	45,000	-	-	-	-	-	-	-	45,000
13722	Vehicle 132 - Ford F-150 (Fred)	-	-	-	-	36,800	-	-	-	-	-	36,800
14729	Vehicle 133 - Ford F-150 (Josh)	-	-	42,000	-	-	-	-	-	-	-	42,000
14728	Vehicle 161 - Ford C-Max	-	-	30,500	-	-	-	-	-	-	-	30,500
	Vehicle 177 - Replace with hybrid/electric	-	-	44,300	-	-	-	-	-	-	56,400	100,700
19726	Vehicle 607 - Chevy Bolt	-	-	-	-	-	-	-	50,400	-	-	50,400
	PROJECT TOTALS	20,128,300	13,846,800	14,843,800	17,482,250	19,377,550	18,548,500	21,078,300	28,826,200	33,426,050	44,052,300	231,610,050

Ten-Year Financial Plan



Visitors check out microorganisms in the Plant Laboratory during an Open House event.

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NapaSan

Ten-Year Financial Plan

Plan Description

Also called a Financial Master Plan or a Ten-Year Cash Flow Forecast, the Ten-Year Financial Plan is a projection of operating and capital expenditures, along with projections of rates and the revenues they are anticipated to generate over that time. The Ten-Year Financial Plan evaluates whether the revenues are adequate to cover the projected costs/outflows.

This Plan addresses the following questions. Over the next 10 years...

- What are NapaSan's projected revenues, and what assumptions are used?
- What are NapaSan's projected operating costs, and what assumptions are used?
- What are the projected capital costs for NapaSan?
- Will NapaSan use pay-as-you-go financing or debt financing for its capital projects?
- Are sewer service charge rates sufficient?

Link to Strategic Plan

NapaSan's Strategic Plan (discussed in Budget Overview on pages 19-24 and included in the Appendix C of this budget) includes numerous objectives and a timeframe for completion of those projects. This Ten-Year Financial Plan makes assumption that all of the objectives in that plan are completed on time, and that any one-time or ongoing financial impact resulting from implementing the Strategic Plan are included in the Ten-Year Financial Forecast.

Revenue Forecast

Sewer Service Charges

In March 2021, NapaSan went through the Proposition 218 process, thereby setting the maximum that the sewer service charge could increase through Fiscal Year 2025/26. The rate was set to remain at \$738.60 for the next five years. The forecast assumes the rate to increase 3.0% annually thereafter.

Fiscal Year	Residential SSC Rate
FY 20/21	\$738.60 per EDU
FY 21/22	\$738.60 per EDU
FY 22/23	\$738.60 per EDU
FY 23/24	\$738.60 per EDU
FY 24/25	\$738.60 per EDU
FY 25/26	\$738.60 per EDU
FY 25/26	\$738.60 per EDU
FY 26/27	\$760.76 per EDU
FY 27/28	\$783.58 per EDU
FY 28/29	\$807.09 per EDU
FY 29/30	\$831.30 per EDU
FY 30/31	\$856.24 per EDU

Recycled Water Fees

Recycled water fees are becoming a more significant source of revenue for NapaSan. Fees are set by the Board of Directors through ordinance. The rates have been set for calendar year 2021.

The forecast assumes that NapaSan sell about 2,400 acre feet of recycled water in FY 2021/22, with increasing sales in subsequent years until a total of 2,500 acre feet is sold annually. Future customers include land owners in the MST area, the Napa State Hospital, St. Regis Resort, and Los Carneros Water District. The forecast assumes a rate increase of 4.5% in 2022 through 2030 in the Ten-Year Financial Plan, which includes an increase for operating expenses (by CPI) and a 2.0% increase for funding the recycled water renewal and replacement reserve.

Calendar Year	Peak RW Rate
2021	\$1.93 per 1,000 gallons
2022	\$2.02 per 1,000 gallons
2023	\$2.11 per 1,000 gallons
2024	\$2.20 per 1,000 gallons
2025	\$2.30 per 1,000 gallons
2026	\$2.40 per 1,000 gallons

Capacity Charges

Annually, the capacity charge rate increases with the Engineering News Record's Construction Cost Index (February-to-February), an inflation measure for capital infrastructure costs. Capacity charges increased 2.7% for FY 2021/22 to \$10,228 per Equivalent Dwelling Unit (EDU). Future year rates are estimated to increase 2.7% annually.

Capacity charges are forecasted based on known and planned development projects. NapaSan staff tracks planning referrals and other information to forecast hotels, other commercial developments and housing projects that are anticipated to begin construction in the next four years. A baseline number is then assumed for the remaining ten-year forecast.

Fiscal Year	Forecasted EDU
FY 21/22	350 EDU
FY 22/23	300 EDU
FY 23/24	300 EDU
FY 24/25	400 EDU
FY 25/26	500 EDU

Leases and Rents

Lease revenues include the existing lease with Eagle Vines Golf Club. There is still opportunity for NapaSan to receive lease payments from other properties. The Ten-Year Financial Plan includes revenues for potential leases beginning in FY 2023/24.

Other Revenues

There are a number of other smaller revenues collected by NapaSan. They have been forecasted based on historical collection and any anticipated increases in rates due to CPI or other factors.

Operating Cost Forecast

Operating expenses for NapaSan includes salaries and benefits, maintenance and operations of the collection and treatment systems, and the purchase of materials and supplies. NapaSan must also budget for its annual debt service.

Salaries are controlled by three Memoranda of Understanding (MOU) with employees. The MOUs were renegotiated in 2020, went into effect July 2020 and are set to expire in June 2024 with a reopener to discuss cost of living salary adjustments for Year Three and Year Four. Salaries have been projected based on the contracted increases (2.5% for FY 2021/22). The outcome of labor negotiations during the reopener will determine the actual salary increase, if any. In the Ten-Year Financial Plan, salaries have been projected at 2.5% annually after FY 2021/22. Market adjustments to salaries for select positions were negotiated and are phased in over the four-year term of the MOU contract.

Some benefits, such as OPEB and retirement expenses, are calculated as a percentage of salary, while other benefits, such as health care, increase based on joint purchase agreements. Health care costs are assumed to increase at a 7% rate annually. Retirement expenses, also as a percentage of salary, are expected to increase an additional 1-3% over the next five years. Employee retirement contributions have increased to reflect employees contributing the full employee share per the new MOU contracts. Medical in lieu payments are projected to continue. Workers compensation insurance is projected to increase with inflation for future years. For the Ten-Year Financial Plan, salaries and benefits combined are projected to increase 2.6% to 14.3% annually.

In an effort to address the unfunded actuarial liability (UAL) of pension benefits, the forecast for years after FY 2021/22, includes the payment of an additional \$135,000 toward this liability annually. It also assumes that while there is an expected \$0.5 million decrease in annual payments due to the expiration of a side fund amortization basis, NapaSan will continue to make these payments to CalPERS. NapaSan did not make this payment in FY 2020/21 to try and mitigate the impact of anticipated decreased revenues. The additional payments will begin in FY 2021/22.

Services and supplies are forecasted to increase 2.5% annually to account for increases in inflation after FY 2021/22. Operating expenses were reduced in FY 2020/21 to absorb the impact of anticipated reduced revenues. Those expenses have been added back in for FY 2021/22 with the expectation that service levels will return to close to pre-pandemic levels. The anticipated operating expenditure impact of planned capital projects has been included in the forecast.

Capital Costs

There are several plans that influence the overall Ten-Year Capital Improvement Plan, including the NapaSan Strategic Plan, the Treatment Plant Master Plan, the Collection System Master Plan and the Recycled Water

Strategic Plan. These plans serve to identify the capital improvements that should be made within each area over the next 20 years. Several of these plans are set to be updated during the ten-year planning period.

When all of the recommendations from the current master plans are combined, there is sufficient projected revenue to pay for all of the projects within the next ten years. This assumes that the sewer service charges are implemented as projected from the Proposition 218 process in March 2021, that in future years the SSC increase at 3% annually, and that development occurs as projected for capacity charges.

The budget and Ten-Year Capital Improvement Plan, described in detail in the previous sections of this budget document, represent the priority projects from these plans. The Ten-Year Financial Plan incorporates the Ten-Year Capital Improvement Plan.

Pay-Go vs. Debt Financing

Debt financing means that NapaSan would either sell bonds or enter into a loan (such as a State Revolving Fund loan) to get money to pay for capital projects, then pay back that money over time with interest. **Pay-as-you-go financing**, also called “pay-go” means that NapaSan needs to accumulate the money for the project and already have it prior to the work being completed.

NapaSan Financial Policy states that NapaSan shall have a preference to finance capital improvements using pay-go financing and shall issue long-term debt only to finance capital improvements that cannot be readily financed from current revenues. Debt financed projects must be major, non-recurring improvements with a minimum of five years of useful life.

The Ten-Year Financial plan assumes that debt would be issued for specific projects, with all other projects in the CIP being financed as pay-go.

The Ten-Year Financial Plan includes four new debt issuances over the planning period for capital projects. Details about these planned debts can be found in the “Debt and Other Long Term Liabilities” section in this budget document. The loan proceeds and the associated debt service for these issuances have been included in the Ten-Year Financial Plan.

Ten-Year Cash Flow

The table that follows shows the Ten-Year Financial/Cash Flow Forecast. The table includes starting fund equity and ending fund equity on an annual basis, forecasts for operating and non-operating revenue and operating expenses. Because it is a cash flow model, the forecast includes expenses for capital outlay for the year it is expensed, as well as proceeds from issuing debt. Also, at the end of each year, there is an adjustment made to the ending fund equity numbers to account for necessary reserves to come up with an amount of equity that is available for use.

This model assumes that all fund equity available at the end of one year is rolled over for use in the following year. The model also assumes that there is no underspending of operating expenses, although traditionally there is a small percentage of operating budget that is not spent each year.

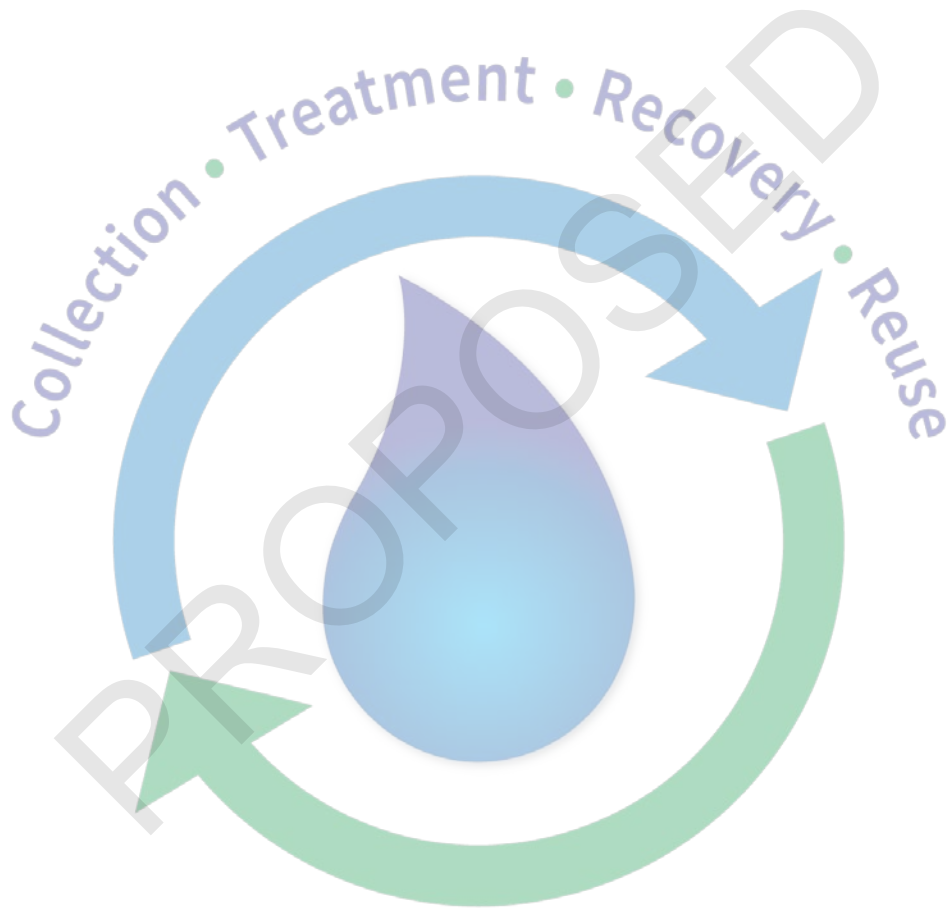
10-Year Financial/Cash Flow Forecast

	Proposed 2021/22	Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26
Beginning Fund Equity	\$20,776,200	\$21,035,700	\$20,878,500	\$21,038,100	\$21,112,400
Operating revenue					
Sewer service charges	30,487,000	32,627,000	34,092,000	35,474,000	36,900,000
Capacity Charges	3,580,000	3,151,000	3,236,000	4,432,000	5,689,000
Recycled Water Sales	1,343,000	1,463,000	1,597,000	1,665,000	1,741,000
Hauler Fees	283,000	294,000	306,000	317,000	328,000
Development Fees	125,500	128,600	131,800	135,100	138,500
<u>Miscellaneous Revenue</u>	<u>94,000</u>	<u>96,000</u>	<u>98,000</u>	<u>100,000</u>	<u>103,000</u>
Total Operating Revenue	35,912,500	37,759,600	39,460,800	42,123,100	44,899,500
Non-Operating Revenue					
Interest	208,000	421,000	418,000	421,000	422,000
Rents and leases	137,000	141,000	444,000	748,000	752,000
From Other Governments	0	0	0	0	0
<u>Loan / Bond Proceeds</u>	<u>7,133,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total - Non-Operating Revenue	7,478,300	562,000	862,000	1,169,000	1,174,000
Total Revenue	43,390,800	38,321,600	40,322,800	43,292,100	46,073,500
Operating Expense					
Salaries and benefits	11,021,800	11,508,100	11,999,100	12,369,400	12,691,300
Services and supplies	6,796,650	6,850,000	7,101,700	7,144,000	7,541,000
Taxes and Other	35,000	35,900	36,800	37,700	38,600
Debt Service - Existing	4,592,950	4,581,800	4,525,500	4,528,800	4,518,900
<u>Debt Service - New/Projected</u>	<u>556,600</u>	<u>1,656,200</u>	<u>1,656,300</u>	<u>1,655,700</u>	<u>1,659,200</u>
Total Operating Expense	23,003,000	24,632,000	25,319,400	25,735,600	26,449,000
Capital Projects	20,128,300	13,846,800	14,843,800	17,482,250	19,377,550
Total - All Expenses	43,131,300	38,478,800	40,163,200	43,217,850	45,826,550
Net revenue (deficit)	259,500	(157,200)	159,600	74,250	246,950
Ending combined fund equity	\$21,035,700	\$20,878,500	\$21,038,100	\$21,112,350	\$21,359,350
RW Repair & Replacement Reserve	340,000	486,000	646,000	813,000	987,000
Bond Reserve	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Operating Reserve	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Cash Flow Reserve	10,351,000	11,084,000	11,394,000	11,581,000	11,902,000
Fund Equity Available for Use	\$3,244,700	\$2,208,500	\$1,898,100	\$1,618,350	\$1,370,350

10-Year Financial/Cash Flow Forecast

	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30	Projected 2030/31
Beginning Fund Equity	\$21,359,400	\$21,209,400	\$21,534,000	\$22,888,000	\$23,482,800
Operating revenue					
Sewer service charges	38,387,000	39,754,000	41,169,000	42,633,000	44,147,000
Capacity Charges	3,213,000	3,300,000	3,389,000	3,481,000	3,575,000
Recycled Water Sales	1,817,000	1,900,000	1,983,000	2,074,000	2,164,789
Hauler Fees	338,000	348,000	358,000	369,000	380,000
Development Fees	142,000	145,600	149,200	152,900	156,700
Miscellaneous Revenue	<u>106,000</u>	<u>109,000</u>	<u>112,000</u>	<u>115,000</u>	<u>118,000</u>
Total Operating Revenue	44,003,000	45,556,600	47,160,200	48,824,900	50,541,489
Non-Operating Revenue					
Interest	427,000	424,000	431,000	458,000	470,000
Rents and leases	755,000	759,000	763,000	767,000	772,000
From Other Governments	0	0	0	25,500	202,500
Loan / Bond Proceeds	<u>0</u>	<u>2,000,000</u>	<u>9,249,600</u>	<u>11,825,400</u>	<u>25,600,100</u>
Total - Non-Operating Revenue	1,182,000	3,183,000	10,443,600	13,075,900	27,044,600
Total Revenue	45,185,000	48,739,600	57,603,800	61,900,800	77,586,089
Operating Expense					
Salaries and benefits	13,064,500	13,429,200	13,776,800	14,133,900	14,549,100
Services and supplies	7,506,000	7,694,000	7,886,000	8,083,000	8,285,000
Taxes and Other	39,600	40,600	41,600	42,600	43,700
Debt Service - Existing	4,519,600	4,514,300	2,759,900	2,661,400	2,761,400
Debt Service - New/Projected	<u>1,656,800</u>	<u>1,658,600</u>	<u>2,959,300</u>	<u>2,959,100</u>	<u>5,157,800</u>
Total Operating Expense	26,786,500	27,336,700	27,423,600	27,880,000	30,797,000
Capital Projects	18,548,500	21,078,300	28,826,200	33,426,050	44,052,300
Total - All Expenses	45,335,000	48,415,000	56,249,800	61,306,050	74,849,300
Net revenue (deficit)	(150,000)	324,600	1,354,000	594,750	2,736,789
Ending combined fund equity	\$21,209,400	\$21,534,000	\$22,888,000	\$23,482,750	\$26,219,589
RW Repair & Replacement Reserve	1,169,000	1,359,000	1,557,000	1,764,000	1,980,000
Bond Reserve	1,100,000	1,100,000	2,400,000	2,400,000	4,300,000
Operating Reserve	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Cash Flow Reserve	12,054,000	12,302,000	12,341,000	12,546,000	13,859,000
Fund Equity Available for Use	\$886,400	\$773,000	\$590,000	\$772,750	\$80,589

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NapaSan

Debt and Other Long Term Liabilities

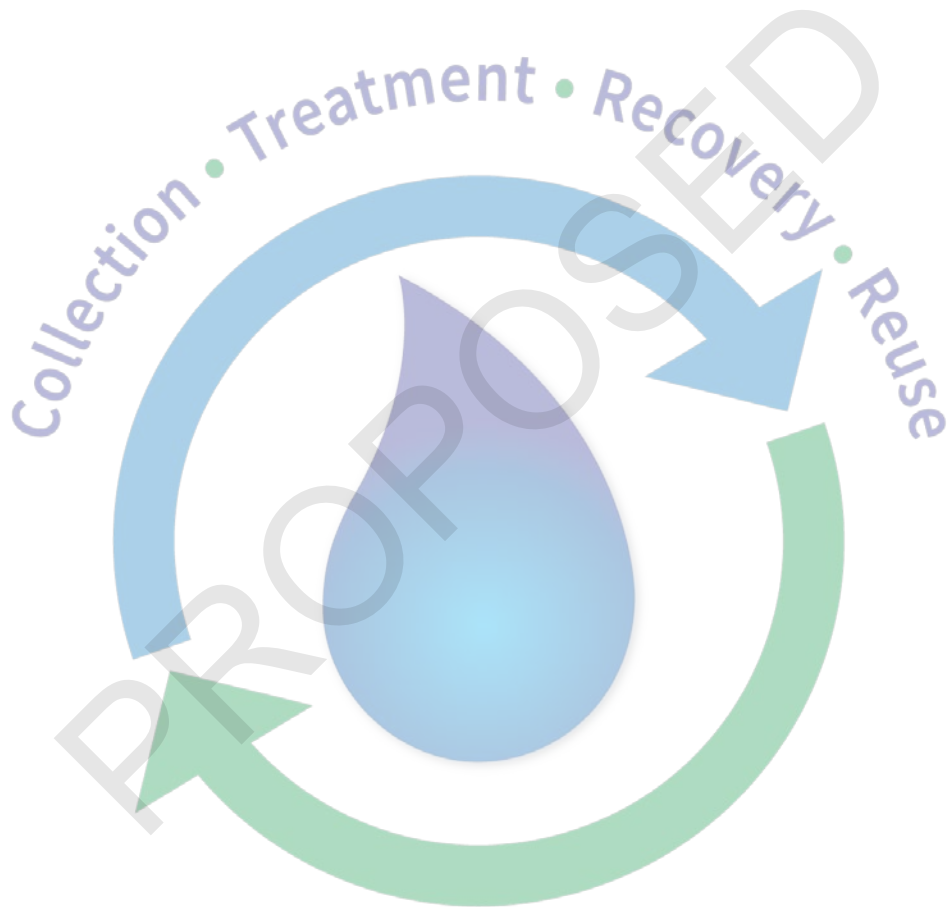


Construction of the secondary effluent equalization basin in 2014



Completed secondary effluent equalization basin

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NapaSan

Debt and Other Long Term Liabilities

The Napa Sanitation District issues long term debt for the construction of significant capital assets. Debt service is the annual or semi-annual payments NapaSan makes to repay the principal and interest on its debt.

Debt Policy

As a matter of policy, NapaSan has a preference to use pay-as-you-go financing for its capital projects and only uses debt financing for improvements that it cannot readily finance from current revenues. Exceptions can be made on a case-by-case basis for no-interest and extremely-low-interest loan programs to pay for capital projects.

Debt can only be used for major, non-recurring capital items, and the debt repayment timeline cannot exceed the expected useful life of the asset being financed.

Debt can only be issued when it has been shown that NapaSan has the ability to pay all of its current obligations from current revenues and still have available 125% of the expected debt service amount to pay the debt service.

NapaSan's complete debt policy can be found in Appendix D, Section 5.

Current Debt Obligations

2003 SRF – In 2003, NapaSan entered into a 20-year loan with the State of California's State Water Resource Control Board Revolving Fund (SRF). The proceeds from this loan, \$901,376, were used for replacement of pipes in the collection system. The interest rate on this loan is 2.5%, with annual debt service of \$60,247. (See Debt Service Table 1.) Outstanding principal on this debt obligation is \$116,121 as of July 1, 2021.

2008 SRF – In 2008, NapaSan entered into a 20-year loan with the State Water Resources Control Board. This loan, which came in two phases, was for a total of \$1,559,673 and was used to replace aging infrastructure in the collection system. This is a zero-percent interest loan; however, the annual debt service payment of \$93,581 includes a 16.667% state match and is recorded as imputed interest. (See Debt Service Tables 2 and 3.) Outstanding principal on this debt obligation is \$689,581 as of July 1, 2021.

Series 2012A – These 20-year Certificates of Participation were delivered and executed to provide funds to repay the outstanding Adjustable Rate Refunding Revenue Certificates of Participation, Series 2009A and to finance \$33 million in new capital projects. Annual debt service for this bond in FY 2021/22 is \$2,657,575. (See Debt Service Table 4.) Outstanding principal on this debt obligation is \$26,170,000 as of July 1, 2021.

Series 2017 – These 10-year Refunding Revenue Bonds were sold in December 2017 to advance refund the 2009B Certificates of Participation. The \$14,185,000 advance refunding will save NapaSan ratepayers almost \$1.27 million over the life of the bonds. Annual debt service for this bond in FY 2021/22 is \$1,774,500. (See Debt Service Table 5.) Outstanding principal on this debt obligation is \$10,550,000 as of July 1, 2021.

Series 2021 – These Certificates of Participation were issued in December 2020 to fund the 66-inch Sewer Trunk Main Rehabilitation project and a portion of the 2022 Collection System Rehabilitation project. The bonds were issued for \$8,560,000 with a 20-year term. Annual debt service begins in FY 2021/22 and is \$556,588. (See Debt Service Table 6.) Outstanding principal on this debt obligation is \$8,560,000 as of July 1, 2021.

Debt Covenants

A debt covenant is a requirement imposed on NapaSan by a debt holder. These requirements range from requirements to pay the principal and interest payments on particular days of the year, to preparing and filing audited financial statements, to very specific financial performance requirements.

There is one significant debt covenant that has a financial impact to NapaSan. This covenant applies to all of NapaSan's debt, and is a debt service coverage requirement. Debt service coverage is the ratio of net revenues (revenues minus operating expenses) to annual debt service requirements. NapaSan is required by its bond covenants to maintain a debt service coverage ratio of at least 1.25. For FY 2021/22, NapaSan's coverage ratio is budgeted to be 3.57.

Debt Coverage Ratio Calculation		
	Estimated FY 20/21	Budget FY 21/22
Revenue		
Sewer Service Charges	\$30,034,000	\$30,487,000
Capacity Charges	\$1,742,800	\$3,580,000
Recycled Water	\$1,200,000	\$1,343,000
Interest	\$196,000	\$208,000
Rents & Leases	\$234,000	\$137,000
Other Revenue	375,000	502,500
<i>(excl. sale of property and grant revenue)</i>		
Operating Expenses	(\$15,403,599)	(\$17,853,450)
Net Revenue	\$18,378,201	\$18,404,050
Parity Debt Service		
2003 SRF	\$60,300	\$60,300
2008 SRF	93,700	93,700
2012A COPs	2,657,300	2,664,450
2017 RBBs	1,776,700	1,774,500
2021 COPs	0	556,600
Total Debt Service	\$4,588,000	\$5,149,550
Parity Debt Coverage Ratio	4.01	3.57
<i>(net revenue ÷ total debt service)</i>		
<i>(must be greater than 1.25)</i>		

Debt Capacity & Debt Limitations

Debt Capacity is the difference between the amount of debt NapaSan has outstanding (sold and authorized) and the maximum amount of debt NapaSan can incur within its legal, public policy and financial limitations.

NapaSan generally does not issue general obligation debt, and as such, there is no legal limitation on the amount of debt it can issue. NapaSan is limited by the debt policies that it sets for itself (described above and in Appendix D) and by financial limitations. Financial limitations include two factors:

1) willingness of the bond market to loan NapaSan money, and 2) limitations on future debt placed on NapaSan by current debt.

First, the amount of debt NapaSan can issue is limited by whether there are financial and other institutions and other buyers in the market willing to purchase the bonds that NapaSan wants to issue. In tight capital markets, or if the financial health of NapaSan is in question, the amount of debt NapaSan can issue under favorable terms can be limited.

Second, the debt coverage ratio imposed by existing debt holders also applies to any future debt NapaSan may want to issue. By forecasting operating revenues and expenditures and applying the 1.25 debt coverage ratio, a debt capacity can be calculated.

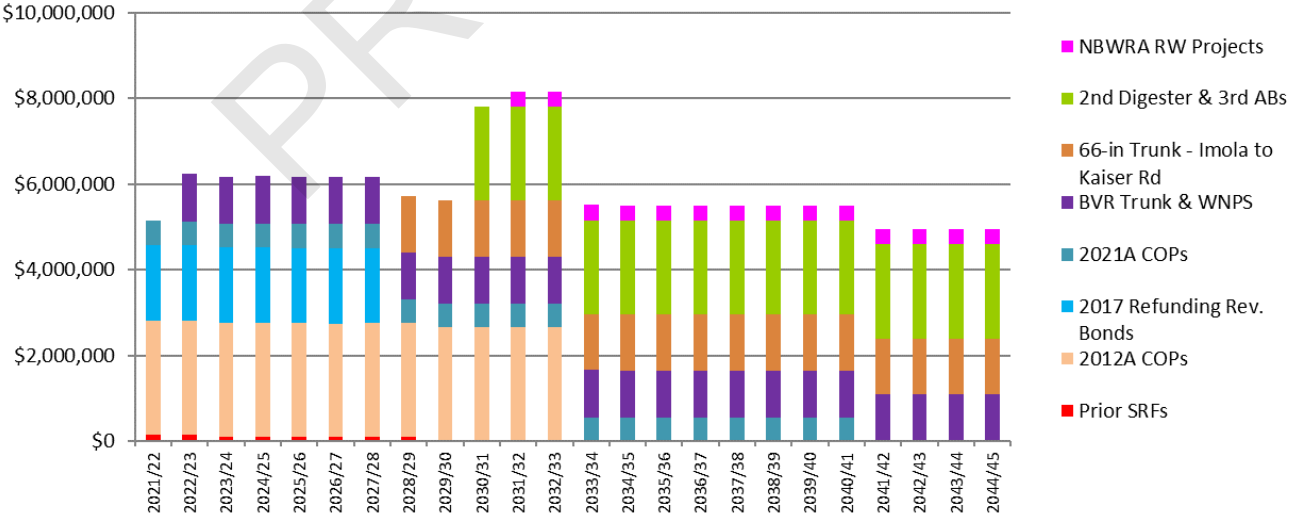
Currently, NapaSan has the capacity to issue approximately \$135 million in additional debt (3.5% TIC, 20 year term), assuming that there was a buyer for that debt in the bond market, NapaSan could pay the debt service, and other financial policies are maintained.

Future Debt Issues

The Ten-Year Capital Improvement Plan and the Ten-Year Financial Plan includes debt financing for four future capital projects:

- 1) **Browns Valley Road Trunk and West Napa Pump Station Replacement** – In FY 19/20, NapaSan executed a 30-year State Revolving Fund loan agreement with the State Water Resources Control Board to construct the Browns Valley Trunk and West Napa Pump Station projects. The loan is for an amount not to exceed \$33,466,680, which represents 83.6667% of the maximum project cost of \$40 million. In exchange for NapaSan paying the remaining 16.3333% as “local match” directly and not including the amount in the loan, the loan agreement was set at 0% interest for the full 30-year term. The actual amount of the loan and the annual debt service will not be determined until after project construction is completed (estimated in Fall 2021). The finance package also included an application for a Green Project Reserve grant for 50% reimbursement of expenses associated with increased energy efficiency, which resulted in loan forgiveness of \$4 million. Debt Service will begin after construction has been completed.
- 2) **Rehabilitation of the 66” Sewer Trunk (Imola to Kaiser Rd)** – This project, to rehabilitate the existing 66” sewer trunk from Imola Avenue south to Kaiser Road, is expected to cost \$18 million, with debt service beginning in FY 2028/29. This project will be financed through the issuance of Certificates of Participation (COPs) or some other external financing vehicle. To be conservative, it is assumed the debt will be financed through the issuance of 30-Year COPs at 6% TIC.
- 3) **Second Digester / Third Aeration Basin** – It is assumed that this project will be financed through the issuance of Certificates of Participation (\$30 million), with debt service beginning in FY 2030/31. The forecast assumes a 30-year loan at 6% True Interest Cost (TIC). The timing and scope of this project is subject to potential changes in the Treatment Plant Master Plan.
- 4) **NBWRA Recycled Water Projects** – these projects will be financed through 25% federal grants and federal low-interest water infrastructure loans. Estimated project cost is \$5.1 million, with construction starting in FY 2029/30 and debt service beginning beyond the Ten-Year Financial Plan in FY 2031/32.

Projected Debt Service Summary



Pensions

NapaSan contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employees' retirement system that acts as a common investment and administrative agency for participating public entities.

NapaSan has three different benefits plans, based on the date of initial employment with NapaSan and enrollment in the CalPERS system. Tier 1 is a closed plan, with new employees not eligible to enter. Tier 2 is open to new employees who have previously been enrolled in CalPERS prior to January 1, 2013 (and meet other requirements). PEPRA is open to all other new employees:

Tier 1	Hired prior to September 5, 2009
Tier 2	Hired on or after September 5, 2009
PEPRA	Hired on or after January 1, 2013

As of June 30, 2019 (last available date), NapaSan had unfunded accrued liabilities and funded ratios as follows:

	<u>Unfunded Accrued Liability (UAL)</u>	<u>Funded Ratio</u>
Tier 1	\$ 13,927,279	70.4%
Tier 2	\$ 204,793	88.6%
PEPRA	\$ 36,477	91.5%

For FY 2021/22, NapaSan will pay 15.87% of Tier 1 employees' salaries, 11.60% of Tier 2 employees' salaries, and 7.73% of PEPRA employees' salaries to CalPERS for the Normal Cost. In addition, NapaSan will pay \$989,643 toward the Tier 1 UAL, \$20,688 toward the Tier 2 UAL, and \$4,562 toward the PEPRA UAL.

These payments toward the UAL are the minimum required contribution to CalPERS. In the last two years, utilizing budget savings from a debt refunding in 2017, NapaSan has made an additional voluntary contribution of \$135,000 toward the Tier 1 UAL. In FY 2019/20, NapaSan paid off a CalPERS "side fund" which reduced the minimum contribution payment in FY 2020/21 by about \$500,000. Initially, the Ten-Year Financial Plan included additional payments to keep the same level contribution payment starting in FY 2020/21. However, with the economic downturn and projected increased retirement costs, NapaSan made the decision to defer making an additional payment. The financial impact to NapaSan's revenues were minimal despite the hardships the local economy experienced. The additional payments have been scheduled to begin in FY 2021/22.

The 10-Year Financial Forecast includes an assumption to pay additional voluntary contributions toward the UAL as follows, based on the implementation of NapaSan's Financial Policies.

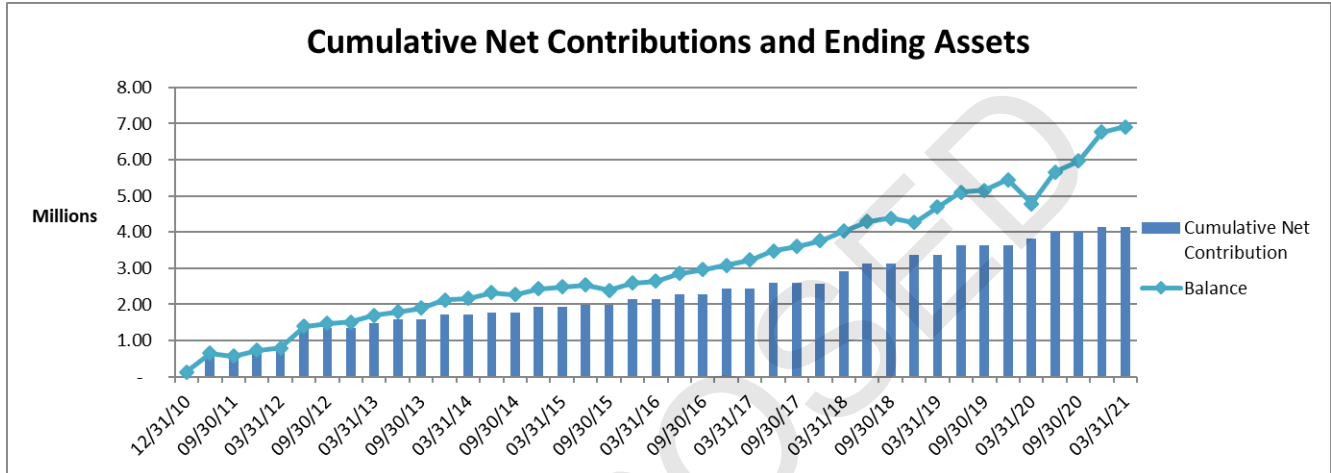
<u>Fiscal Year</u>	<u>Additional Contribution</u>
2021/22	505,300
2022/23	402,900
2023/24	336,200
2024/25	266,100
2025/26	228,200
2026/27	193,500
2027/28	157,900
2028/29	121,300
2029/30	83,600
2030/31	45,000

OPEB

Other Post-Employment Benefits (OPEB) are benefits, other than retirement pensions, that are provided to retirees of NapaSan. These include health care, life insurance and vision insurance. Beginning in 2010, NapaSan started to contribute at least the Normal Cost, if not more, of OPEB costs to a trust account invested and administered by CalPERS. Assets in this trust account can be used to net against NapaSan’s total OPEB liability.

The FY 2021/22 budget includes a payment to the OPEB trust of \$121,950 and direct benefit payments of \$471,900.

Assets in NapaSan’s OPEB Trust were greater than the actual contributions (as of March 31, 2021) because of investment earnings:



Based on the current actuarial report for the OPEB benefits, there are 16 years remaining of amortization of the unfunded actuarial accrued liability as of June 30, 2021, assuming that NapaSan continues to transfer the actuarial determined contribution (less direct payments) to the OPEB trust on an annual basis.

Napa Sanitation District
Debt Service

Table 1

Napa Sanitation District
 2003 SWRCB Revolving Fund Loan

2.5%, 20 year term
 \$901,376

Fiscal Year Jul 1	Annual Interest	Principal Payment	Ending Principal	Total Payment
2021/22	2,903	57,343	58,777	60,247
2022/23	1,469	58,777	-	60,247
2023/24	-	-	-	-
2024/25	-	-	-	-
2025/26	-	-	-	-
2026/27	-	-	-	-
2027/28	-	-	-	-
2028/29	-	-	-	-
2029/30	-	-	-	-
2030/31	-	-	-	-
2031/32	-	-	-	-
2032/33	-	-	-	-
2033/34	-	-	-	-
2034/35	-	-	-	-
2035/36	-	-	-	-
2036/37	-	-	-	-
2037/38	-	-	-	-
2038/39	-	-	-	-
2039/40	-	-	-	-
2040/41	-	-	-	-

Source: District Documents

Napa Sanitation District
Debt Service

Table 2

Napa Sanitation District
 2008 SWRCB Revolving Fund Loan
 E. Spring St. Sewer Rehabilitation Phase I

20 year term
 \$1,376,804

Fiscal Year Jul 1	Imputed Interest	Principal Payment	Ending Principal	Total Payment
2021/22	11,355	71,254	537,417	82,609
2022/23	10,026	72,583	464,834	82,609
2023/24	8,672	73,937	390,897	82,609
2024/25	7,292	75,316	315,580	82,609
2025/26	5,887	76,721	238,859	82,609
2026/27	4,456	78,153	160,706	82,609
2027/28	2,998	79,611	81,096	82,609
2028/29	1,513	81,096	-	82,609
2029/30	-	-	-	-
2030/31	-	-	-	-
2031/32	-	-	-	-
2032/33	-	-	-	-
2033/34	-	-	-	-
2034/35	-	-	-	-
2035/36	-	-	-	-
2036/37	-	-	-	-
2037/38	-	-	-	-
2038/39	-	-	-	-
2039/40	-	-	-	-
2040/41	-	-	-	-

Source: District Documents

Napa Sanitation District
Debt Service

Table 3

Napa Sanitation District
 2008 SWRCB Revolving Fund Loan
 E. Spring St. Sewer Rehabilitation Phase II

20 year term
 \$182,869

Fiscal Year Jul 1	Imputed Interest	Principal Payment	Ending Principal	Total Payment
2021/22	1,494	9,478	71,433	10,972
2022/23	1,319	9,653	61,780	10,972
2023/24	1,141	9,831	51,948	10,972
2024/25	959	10,013	41,935	10,972
2025/26	774	10,198	31,737	10,972
2026/27	586	10,386	21,351	10,972
2027/28	394	10,578	10,773	10,972
2028/29	199	10,773	-	10,972
2029/30	-	-	-	-
2030/31	-	-	-	-
2031/32	-	-	-	-
2032/33	-	-	-	-
2033/34	-	-	-	-
2034/35	-	-	-	-
2035/36	-	-	-	-
2036/37	-	-	-	-
2037/38	-	-	-	-
2038/39	-	-	-	-
2039/40	-	-	-	-
2040/41	-	-	-	-

Source: District Documents

Napa Sanitation District
Debt Service

Table 4

Napa Sanitation District
 Revenue Certificates of Participation, Series 2012A

2.86% True Interest Cost (TIC), 20 year term
 \$37,845,000

Fiscal Year Jul 1	Annual Interest	Principal Payment	Ending Principal	Total Payment
2021/22	892,575	1,765,000	24,405,000	2,657,575
2022/23	820,675	1,830,000	22,575,000	2,650,675
2023/24	745,875	1,910,000	20,665,000	2,655,875
2024/25	667,875	1,990,000	18,675,000	2,657,875
2025/26	586,675	2,070,000	16,605,000	2,656,675
2026/27	502,275	2,150,000	14,455,000	2,652,275
2027/28	425,825	2,230,000	12,225,000	2,655,825
2028/29	357,875	2,300,000	9,925,000	2,657,875
2029/30	287,900	2,365,000	7,560,000	2,652,900
2030/31	215,900	2,435,000	5,125,000	2,650,900
2031/32	135,275	2,520,000	2,605,000	2,655,275
2032/33	45,588	2,605,000	-	2,650,588
2033/34	-	-	-	-
2034/35	-	-	-	-
2035/36	-	-	-	-
2036/37	-	-	-	-
2037/38	-	-	-	-
2038/39	-	-	-	-
2039/40	-	-	-	-
2040/41	-	-	-	-

Source: 2012A Official Statement

Napa Sanitation District
Debt Service

Table 5

Napa Sanitation District
 2017 Refunding Revenue Bonds

1.75% True Interest Cost (TIC), 11 year term
 \$14,185,000

Fiscal Year Jul 1	Annual Interest	Principal Payment	Ending Principal	Total Payment
2021/22	444,500	1,330,000	9,220,000	1,774,500
2022/23	390,300	1,380,000	7,840,000	1,770,300
2023/24	334,000	1,435,000	6,405,000	1,769,000
2024/25	275,400	1,495,000	4,910,000	1,770,400
2025/26	206,625	1,555,000	3,355,000	1,761,625
2026/27	126,750	1,640,000	1,715,000	1,766,750
2027/28	42,875	1,715,000	-	1,757,875
2028/29	-	-	-	-
2029/30	-	-	-	-
2030/31	-	-	-	-
2031/32	-	-	-	-
2032/33	-	-	-	-
2033/34	-	-	-	-
2034/35	-	-	-	-
2035/36	-	-	-	-
2036/37	-	-	-	-
2037/38	-	-	-	-
2038/39	-	-	-	-
2039/40	-	-	-	-
2040/41	-	-	-	-

Source: Series 2017 Official Statement

**Napa Sanitation District
Debt Service**

Table 6

Napa Sanitation District
Revenue Certificates of Participation, Series 2021A

1.38% True Interest Cost (TIC), 20 year term
\$8,560,000

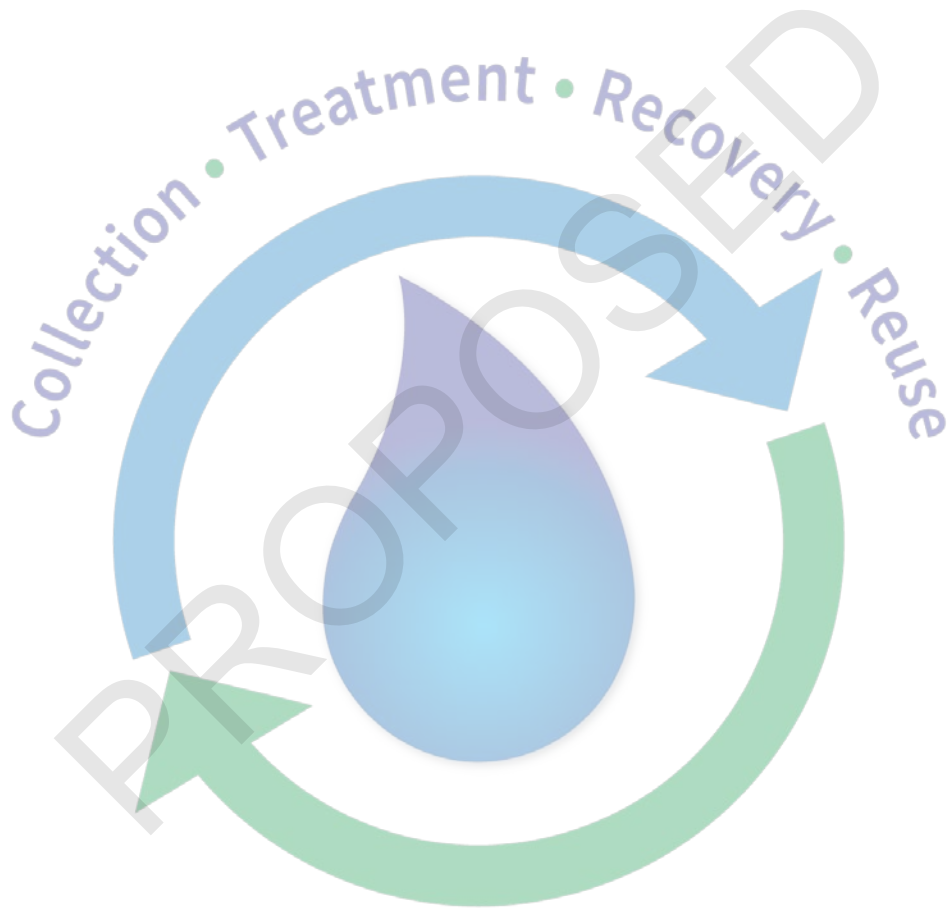
Fiscal Year Jul 1	Annual Interest	Principal Payment	Ending Principal	Total Payment
2021/22	261,588	295,000	8,265,000	556,588
2022/23	266,175	290,000	7,975,000	556,175
2023/24	251,300	305,000	7,670,000	556,300
2024/25	235,675	320,000	7,350,000	555,675
2025/26	219,175	340,000	7,010,000	559,175
2026/27	201,800	355,000	6,655,000	556,800
2027/28	183,550	375,000	6,280,000	558,550
2028/29	164,300	395,000	5,885,000	559,300
2029/30	144,050	415,000	5,470,000	559,050
2030/31	122,800	435,000	5,035,000	557,800
2031/32	105,175	450,000	4,585,000	555,175
2032/33	91,450	465,000	4,120,000	556,450
2033/34	77,275	480,000	3,640,000	557,275
2034/35	65,175	490,000	3,150,000	555,175
2035/36	55,275	500,000	2,650,000	555,275
2036/37	45,175	510,000	2,140,000	555,175
2037/38	34,875	520,000	1,620,000	554,875
2038/39	24,375	530,000	1,090,000	554,375
2039/40	14,350	540,000	550,000	554,350
2040/41	4,813	550,000	-	554,813

Source: Series 2021A Official Statement

Appendix A
Glossary of Terms

PROPOSED

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NapaSan

Glossary of Terms

ADC	Actuarially Determined Contribution	POTW	Publically Owned Treatment Works
BMPs	Best Management Practices	RAS	Return Activated Sludge
BOD	Biochemical Oxygen Demand	RRB	Refunding Revenue Bond
CalPERS	California Public Employee Retirement System	SCADA	Supervisory Control and Data Acquisition
CARB	California Air Resources Board	SWRCB	State Water Resources Control Board
CASA	California Association of Sanitation Agencies	SRF	State Revolving Fund
COPs	Certificates of Participation	SWRF	Soscol Water Recycling Facility
DAF	Dissolved Air Flootation	TSS	Total Suspended Solids
CIP	Capital Improvement Plan or Capital Improvement Program	TIC	True Interest Cost
CPI	Consumer Price Index	UAL	Unfunded Actuarial Liability
DAF	Dissolved Air Flotation	USBR	United States Bureau of Reclamation
EDU	Equivalent Dwelling Units		
EIR	Environmental Impact Report		
EIS	Environmental Impact Statement		
ELAP	Environmental Laboratory Accreditation Program		
FOG	Fats, Oils and Grease		
FTE	Full-Time Equivalent		
FY	Fiscal Year		
GAAP	Generally Accepted Accounting Principles		
GFOA	Government Finance Officers Association		
I & I	Inflow & Infiltration		
LIMS	Laboratory Information Management System		
MGD	Million Gallons per Day		
MST	Milliken/Sarco/Tulocay Creeks area		
MOU	Memorandum of Understanding		
NBWRA	North Bay Water Reuse Authority		
NPDES	National Pollutant Discharge Elimination System		
NSH	Napa State Hospital		
OPEB	Other Post Employment Benefits		

Accrual Accounting– An accounting method that records revenues and expenses when they are incurred, regardless of when cash is exchanged.

Acre Foot – The volume of water required to cover one acre of land to a depth of one foot. One acre foot of water equals 43,460 cubic feet, or 325,851 gallons.

Actuarially Determined Contribution – the amount needed in the current period to fund a defined set of benefits over time.

Adjusted Budget – The adopted budget, with any changes adopted by the Board of Directors during the fiscal year.

Adopted Budget – Financial plan and policy statement on the operating and capital programs of the District, approved by the Board of Directors in June for the subsequent fiscal year.

Appropriation – An authorization made by the Board of Directors which permits officials to incur obligations against and to make expenditures of governmental resources.

Audit – the official inspection or examination of an organization’s financial records, typically by an independent third party.

Balanced Budget – defined in NapaSan’s financial policies as total resources (operating revenue, non-operating revenue, intrafund transfers and beginning fund equity) greater than or equal to total requirements (operating expenses, capital expenses, intrafund transfers and ending fund equity) including contingencies. Furthermore, NapaSan considers the budget to be balanced whenever annual operating and non-operating revenues meet or exceed annual operating expenditures.

Biochemical Oxygen Demand (BOD) - A measure of the oxygen used by microorganisms to decompose waste. If there is a large quantity of organic waste in the wastewater supply, there will also be a lot of bacteria present working to decompose this waste. In this case, the demand for oxygen will be high (due to all the bacteria) so the BOD level will be high. As the waste is consumed or dispersed through the water, BOD levels will begin to decline.

Board of Directors – The five public officials appointed by the City of Napa and County of Napa to set policy direction for the District.

Bond Covenant – A requirement placed on the District as part of a financing agreement, such as bonds.

Bonds – Borrowed monies allocated to pay for specific capital programs. Debt service payments are made to repay the bond holders.

Budget Calendar – The schedule of key dates that the District follows in preparing and adopting the budget.

Budget Document – The official financial spending and resource plan, adopted by the Board of Directors and made available to the public and other interested parties.

Budget Transfer – An appropriation for the transfer of resources from one account, department or fund to another. See also **Interfund Transfer** and **Intrafund Transfer**.

California Air Resources Board (CARB) – Part of the California Environmental Protection Agency, their mission is to promote public health, welfare and ecological resources through the efficient and effective reduction of air pollutants.

California Public Employees’ Retirement System (CalPERS) – A state-wide pooled trust used by local government and state agencies to fund employee retirement benefits.

Consumer Price Index (CPI) – A measure of inflation maintained by the U.S. Bureau of Labor Statistics.

Capacity Charge – One-time fee charged to new connections, or to existing connections where a change or expansion in use will result in increased discharge, to pay for the sewer and treatment plant capacity allocated to them.

Capacity Fee – See **Capacity Charge**.

Capital Assets – Assets of significant value (over \$5,000 at the time of acquisition) that have a useful life of over one year. Examples are land, buildings, other improvements, machinery, vehicles and equipment.

Capital Improvement Plan – The listing of capital projects by cost and fiscal year. This is the documentation of decisions made within the Capital Improvement Program. Capital project costs include all expenditures required to purchase, design, construct and/or repair new or existing capital assets.

Capital Improvement Program – The District’s program for the acquisition, construction, or rehabilitation of its capital infrastructure. The program includes the board-approved set of projects that will result in the construction of new capital facilities, or the modification, upgrade or rehabilitation of existing facilities over a ten-year period.

Capital Outlay – Cash outlays that result in the acquisition of or additions to capital assets.

Cash Flow – Projected cash disbursements for a given period of time.

Cash Flow Reserve – The amount of cash necessary at the beginning of the fiscal year to ensure coverage of projected cash inflows and disbursements during the fiscal year.

Certificates of Participation (COPs) – A type of debt financing in which certificates are issued which represent an investor’s participation in the stream of lease payments paid by the issuer. Certificates of

Participation are secured by the lease payments. Voter approval is not required prior to issuance.

Cogeneration – The use of a heat engine or a power station to generate electricity and useful heat simultaneously.

Connection Fee – See **Capacity Charge**

Contributed Capital – Capital assets that are acquired or constructed by a third party and turned over to the District for operations, maintenance and eventual rehabilitation and replacement once completed. Most often, contributed capital is the lower lateral and sewer main infrastructure built by a developer as part of a development project.

Debt Capacity – The difference between the amount of debt the District has outstanding (sold and authorized) and the maximum amount of debt the District can incur within its legal, public policy and financial limitations.

Debt Service – Payment of interest and repayment of principal to holders of the District's bonds and other debt instruments.

Debt Service Coverage – The ratio of net revenues to debt service requirements. The District is required by bond covenants to maintain a debt service coverage ratio of at least 1.25.

Department – A major organizational unit with overall managerial responsibility for functional programs of the District.

Depreciation – An expense based on the expectation that an asset will gradually decline in value or have to be replaced. The cost of the asset is therefore spread out (depreciated) over the asset's useful life. The intent is to charge the Operation over the real time of its useful life.

Digester – an apparatus in which substances are softened or disintegrated by moisture, heat, chemical action, or the like. The District uses an anaerobic digester to treat and process biosolids.

Dissolved Air Floatation (DAF) – A method of removing solids from wastewater by attaching a minute air bubble to suspended solids and causing the solids to separate from the water in an upward direction.

Effluent – This is the outflow of water from the wastewater treatment plant after treatment.

Environmental Impact Report/Environmental Impact Statement (EIR/EIS) – A detailed report or statement describing and analyzing the significant environmental effects of a project and discussing ways to mitigate or avoid the effects.

Equivalent Dwelling Units (EDU) – A proxy for the amount of suspended solids, biochemical oxygen demand and flow that the typical residential dwelling disposes into the sewer system in a day. This is used to determine the capacity charge and annual sewer service charge for non-residential customers of the District.

Expenditure – The payment of an obligation from the District's cash amounts.

Expense – Money spent or cost incurred to generate revenue or provide a good or service. An expense may be in the form of actual cash payment or a computed expired portion of an asset. It is recognized when the obligation is incurred, rather than when the cash is paid out.

Fats, Oils and Grease (FOG) – FOG is a problem in the sewer systems, as it can cause blockages that result in sewer overflows. FOG, when collected from its source (such as a restaurant), can be used by a wastewater treatment plant to increase the volatile organic material in its digester, resulting in more methane gas used for electricity production.

Fiscal Year – The 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and results of its operations. The District's fiscal year runs from July 1 to June 30 of the following year.

Full-Time Equivalent (FTE) – The amount of time a regular, full-time employee normally works in a year. For example, a full-time employee (1 FTE) is budgeted to work 2,080 hours per year, while a 0.5 FTE is budgeted to work 1,040 hours per year.

Fund – An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves and equities.

Fund Accounting – System of accounting popular with governments and nonprofit organizations that utilizes funds to segregate accounts and activities. There is a focus on stewardship of financial resources received and expended in compliance with legal requirements.

Fund Equity – Fund equity, for the basis of the District’s budgeting and financial planning purposes, is defined as current assets, including restricted assets, less current liabilities, excluding capital-related liabilities. This number is meant to represent the amount of cash that the District has available to commit to operating or capital expenses now or in the future, and is comparable to Fund Balance in governmental-type funds.

Generally Accepted Accounting Principles (GAAP) – Uniform standards for financial accounting and reporting. They govern the form and content of the basic financial statements of an entity.

General Manager – The chief executive officer of the District hired by the Board of Directors.

Government Finance Officers Association (GFOA) – A nonprofit professional association, serving 18,000 government finance professionals through the United States and Canada. The purpose of the GFOA is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.
www.gfoa.org.

Inflow & Infiltration (I&I) – This refers to unintended sources of water that enter the sewer system, either through unauthorized connections (such as a downspout or a sump pump) or from groundwater intrusion through cracks or gaps in the sewer line.

Influent – Water or wastewater entering the wastewater treatment plant, or a particular stage of the treatment process.

Infrastructure – The components that ensure delivery of reliable, high quality services. Typical components include pipelines, pumps, basins, filtration facilities and the like.

Interest – Revenues derived from the investment of idle cash and/or reserves.

Interfund Transfer – The transfer of resources from one fund to another. See also **Budget Transfer** and **Intrafund Transfer**.

Intrafund Transfer – The transfer of resources from one department or account to another within a fund. See also **Budget Transfer** and **Interfund Transfer**.

Laboratory Information Management System (LIMS) – A software-based laboratory and information management system that offers a set of key features, including workflow and data tracking support, flexible architecture, and smart data exchange interfaces that fully support its use in a regulated environment.

Lost Time – The time an employee spends not working as a result of a workplace accident.

Memorandum of Understanding (MOU) – A document outlining the terms and details of an agreement between parties, including the responsibilities of each party. This term is often used to describe agreements with labor groups and unions.

Milliken/Sarco/Tulocay Creeks (MST) – The area just to the east of the City of Napa, in unincorporated Napa County, that includes Milliken Creek, Sarco Creek and Tulocay Creek. This is an area where there is a problem with groundwater overdraft. The County of Napa and the District are working together to deliver recycled water to this area.

Million Gallons per Day (MGD) – One million gallons per day equals 3.07 acre feet, or about 700 gallons per minute.

Modified Accrual Accounting – accounting method under which revenues are recognized in the period they become available and measurable (as opposed to when earned), and expenditures are recognized the associated liability is incurred (as opposed to an expense being recognized).

Modified Cash Basis – a method that combines elements of the two major bookkeeping practices: cash and accrual accounting. It seeks to get the best of both worlds, recording sales and expenses for long-term assets on an accrual basis and those of short-term assets on a cash basis.

Napa State Hospital (NSH) – The District is constructing a recycled water pipeline through the NSH property.

National Pollutant Discharge Elimination System (NPDES) – Permit system established by the U.S. Environmental Protection Agency to regulate discharge of treated sewage, stormwater and urban runoff. The Regional Water Quality Control Board issues the District an NPDES permit that regulates the District's discharge of treated wastewater into the Napa River.

Normal Cost – This is an actuarial cost method used to calculate the amount NapaSan must pay periodically (usually annually) to cover its pension or other retirement expense.

North Bay Water Reuse Authority (NBWRA) – This is an organization of wastewater agencies in Napa, Sonoma and Marin Counties that have joined together to develop a regional approach to funding, producing and delivering recycled water.

Other Post Employment Benefits (OPEB) – These are the benefits, other than retirement pensions, that are provided to retirees of the District. Governmental Accounting Standards require that benefits that accrue to employees should be expensed when they are earned, not when they are paid out to employees. The District pays into a trust account to pay for OPEB liabilities.

Oxygen Reduction Potential (ORP) – In wastewater, this is the measure of how much oxygen is needed to provide adequate disinfection (disinfection is provided through the application of sodium hypochlorite). The ORP analyzers are used to determine the precise amount of chemicals needed, based on changes in oxygen demand levels. This process reduces the amount of sodium hypochlorite applied during treatment to only that which is needed and reduces the amount of sodium bisulfite used to remove excess hypochlorite in the water.

Performance Measure – An objective measure of efficiency or effectiveness.

Publically Owned Treatment Works (POTW) – For the District, this is the Soscol Water Recycling Facility (SWRF).

Rates – Charges for services to District customers that cover the costs of such services.

Reserve – A term used to indicate that a portion of fund equity is designated for a specific purpose.

Resources – Total dollars available for appropriations including estimated revenues and beginning fund equity.

Return Activated Sludge (RAS) – In the aeration process in wastewater treatment, part of the settled material, the sludge, is returned to the beginning of the aeration system to re-seed the new wastewater entering the aeration basin. The RAS Rate refers to the percentage of sludge that is returned.

Revenues – Monies received or earned by the District.

Service Level – The kind and amount of service that the District provides to its customers at a given time.

Sewer Service Charges – Annual or monthly fees charged to users of the District sewer works for discharges into the system.

Soscol Water Recycling Facility (SWRF) – This is the District's wastewater treatment plant and recycled water production facility located on Soscol Ferry Road, just north of the Napa Airport.

Special District – Independent unit of local government generally organized to perform a single function.

State Revolving Fund (SRF) – A fund administered by the state for the purpose of providing low-interest loans for investments in water and sanitation infrastructure.

Struvite – Ammonium magnesium phosphate ($\text{NH}_4\text{MgPO}_4 \cdot 6\text{H}_2\text{O}$). Struvite is a problem in sewage and wastewater treatment, particularly after anaerobic digesters release ammonium and phosphate from waste material, as it forms a scale on lines and clogs system pipes.

Supervisory Control and Data Acquisition (SCADA) – The SCADA system is used at the Treatment Plant for the measurement and control of various processes of wastewater treatment. The system allows for some automation of processes and for the remote monitoring and control of these processes.

Suspended Solids – particulates dissolved in liquid.
See also **Total Suspended Solids**.

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit.

Total Suspended Solids (TSS) – particulate weight obtained by separating particles from a water sample using a filter, usually measured as milligrams per liter (mg/l).

True Interest Cost (TIC) – This is the real cost of issuing a bond. It includes all ancillary fees (underwriter fees, etc.) and takes into consideration any premium payments and different interest rates paid on different bonds within a series. This number can be used to compare quotes or bids for bond issues to determine the lowest bidder.

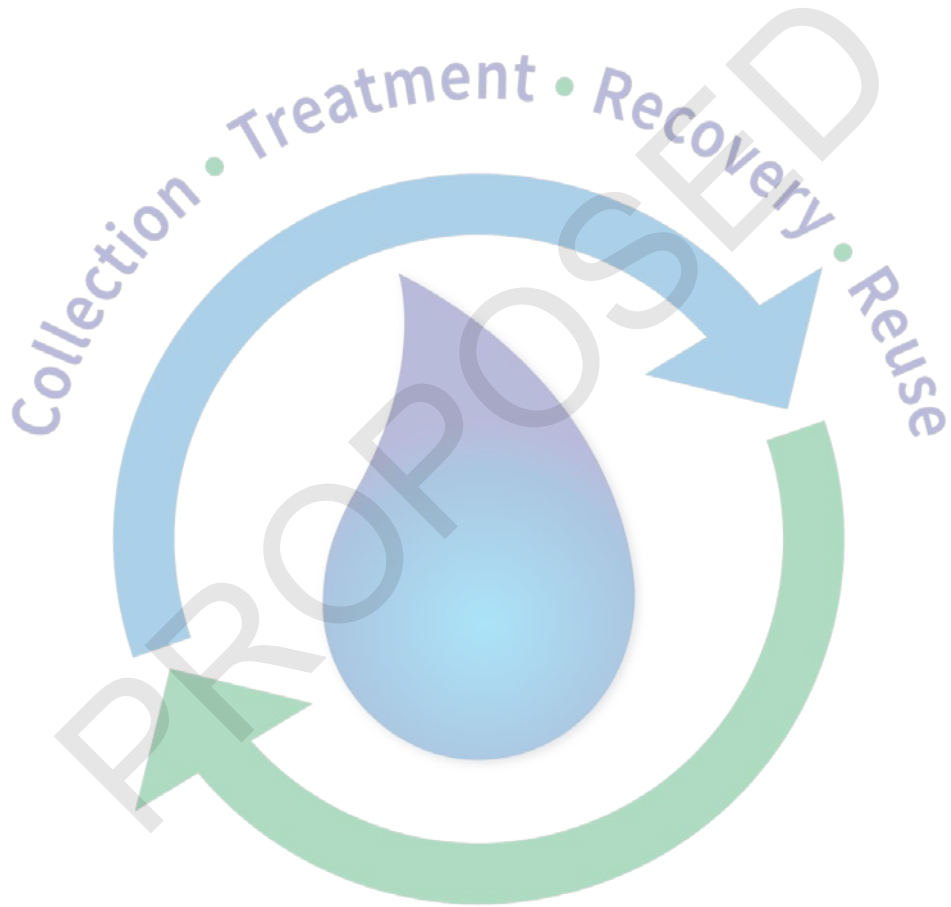
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Appendix B

Statistics and Economic Data

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NapaSan

Demographics for City of Napa⁽¹⁾

	2010	2019
Population:	76,915	79,074
Median Age:	37.4	38.8
Median Household Income:	\$62,767	\$88,596
Persons Below Poverty Level	7.7%	8.0%
 Median Housing Value:	 \$397,100	 \$635,900
Housing Units		
Owner-Occupied	16,148	31,276
Renter-Occupied	12,018	17,429
Not Computed	-	-
Vacant	1,983	6,897
	<hr/> 30,149 <hr/>	<hr/> 55,602 <hr/>

Source: US Census Bureau Census Data; 2019 American Community Survey 5-Year Estimates

General Information for Napa Sanitation District

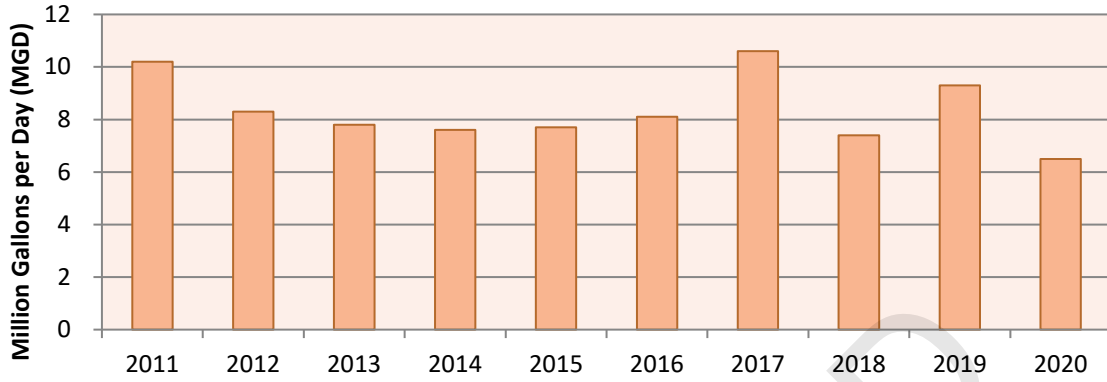
Year of Formation:	1945
Service Area (jurisdictional):	20 square miles
Service Population (est.):	83,500
Plant Design Capacity:	15.4 mgd ⁽²⁾
Connections:	37,873
Miles of Sewer:	270 miles
Street Laterals:	27,000
Sewer Manholes:	5,400
On-plant pump stations:	1
Off-plant pump stations:	3
NPDES Permit Number:	CA0037575

Source: Napa Sanitation District

(1) Demographics are provided for the City of Napa because about 93% of the District's population resides in the City of Napa, and this data is not available specific to the District's service area.

(2) MGD = Million Gallons per Day

Historic Average Daily Influent Flow at Wastewater Treatment Plant

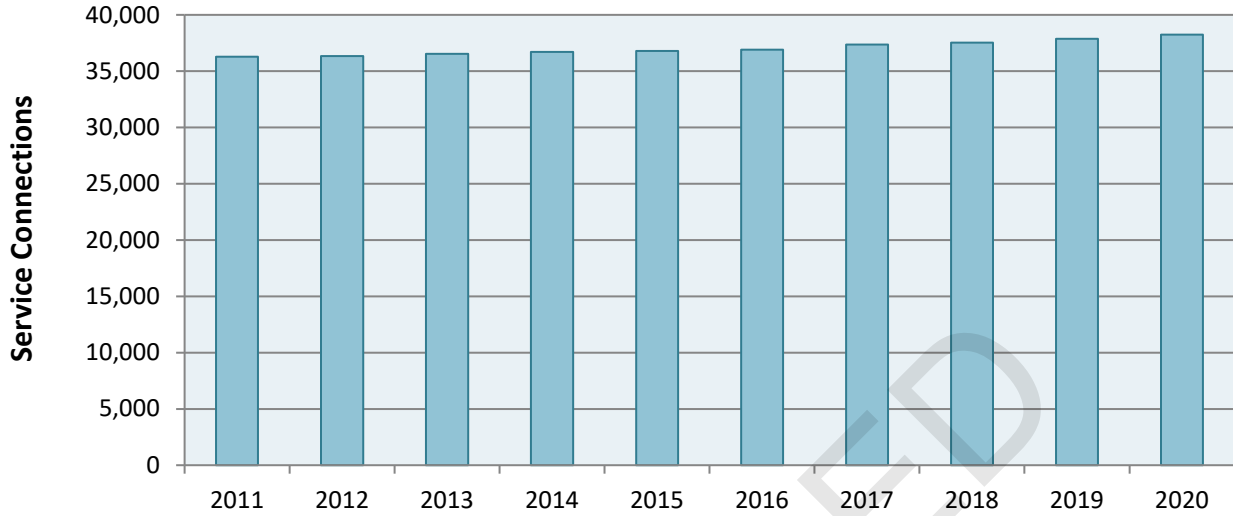


Historic Average Daily Influent Flow at Wastewater Treatment Plant

Fiscal Year Ended June 30	Daily Average Flow (MGD)	Increase/ (Decrease)
2011	10.2	-
2012	8.3	(22.9%)
2013	7.8	(6.4%)
2014	7.6	(2.6%)
2015	7.7	1.3%
2016	8.1	4.9%
2017	10.6	23.6%
2018	7.4	(43.2%)
2019	9.3	20.4%
2020	6.5	(43.1%)

Source: Napa Sanitation District
 MGD = Million Gallons per Day

Historic Sewer System Service Connections and Equivalent Dwelling Units (EDUs)

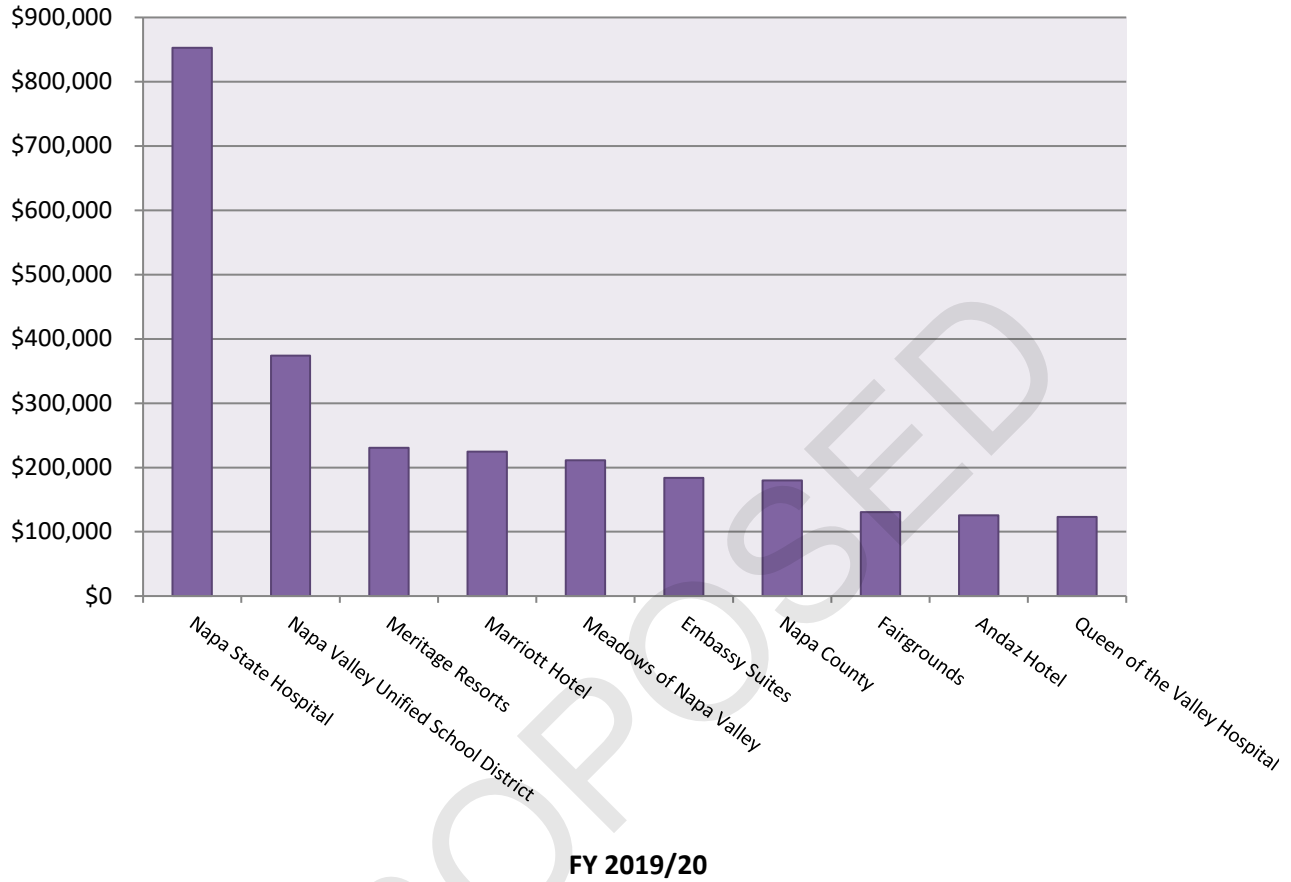


Historic Sewer System Service Connections and Equivalent Dwelling Units (EDU's)

Fiscal Year Ended June 30	Single Family	Multifamily	Commercial/Industrial	Total Service Connections	Total EDU's
2011	23,368	8,482	4,439	36,289	40,254
2012	23,412	8,478	4,436	36,326	40,142
2013	23,486	8,539	4,527	36,552	40,320
2014	23,519	8,673	4,530	36,722	40,955
2015	23,573	8,668	4,550	36,791	41,178
2016	23,612	8,715	4,574	36,901	41,378
2017	23,788	8,697	4,884	37,369	40,707
2018	23,849	8,393	5,293	37,535	40,655
2019	23,800	8,708	5,365	37,873	41,635
2020	23,941	8,764	5,545	38,250	41,862

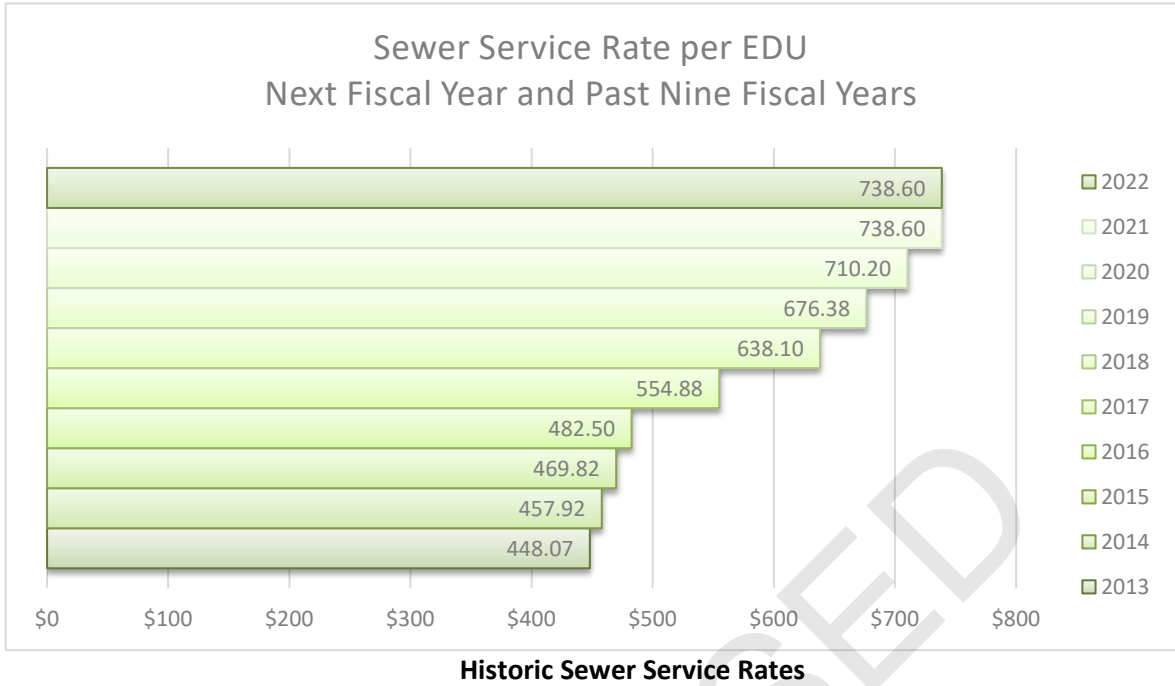
Source: Napa Sanitation District

Ten Largest Sewer Users



	Sewer Service Charges	% of Total⁽¹⁾
Napa State Hospital	\$852,772	2.9%
Napa Valley Unified School District	374,133	1.3%
Meritage Resorts	230,815	0.8%
Marriott Hotel	224,778	0.8%
Meadows of Napa Valley	211,000	0.7%
Embassy Suites	183,800	0.6%
Napa County	179,965	0.6%
Fairgrounds	130,322	0.4%
Andaz Hotel	125,776	0.4%
Queen of the Valley Hospital	123,149	0.4%
Total	\$2,636,510	8.9%

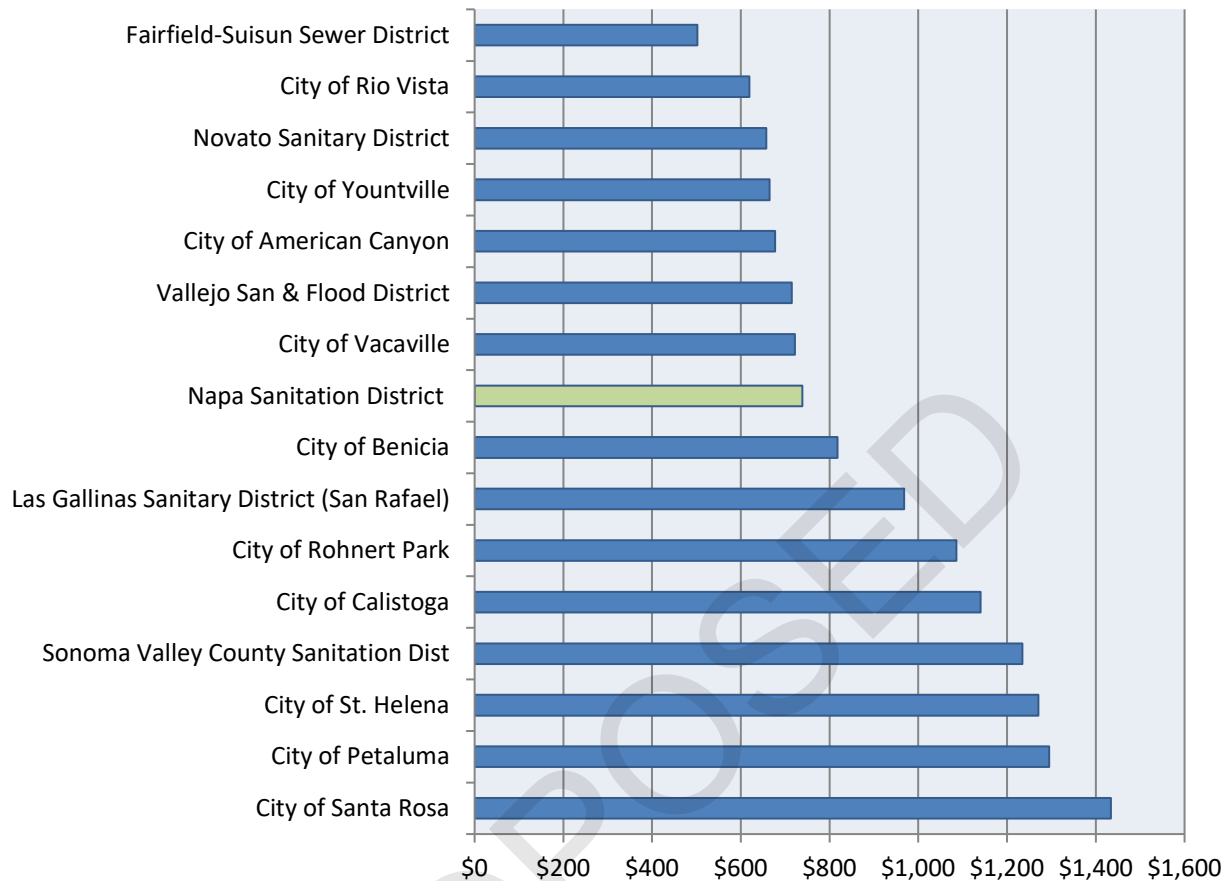
(1) Sewer service charges total: \$29,576,130



Fiscal Year Ended June 30	Sewer Service Rates	% Increase
2013	448.07	2.9%
2014	457.92	2.2%
2015	469.82	2.6%
2016	482.50	2.7%
2017	554.88	15.0%
2018	638.10	15.0%
2019	676.38	6.0%
2020	710.20	5.0%
2021	738.60	4.0%
2022	738.60	0.0%

In 2021, the Board of Directors set the maximum rate to remain the same for the following five years, starting in FY 2022.

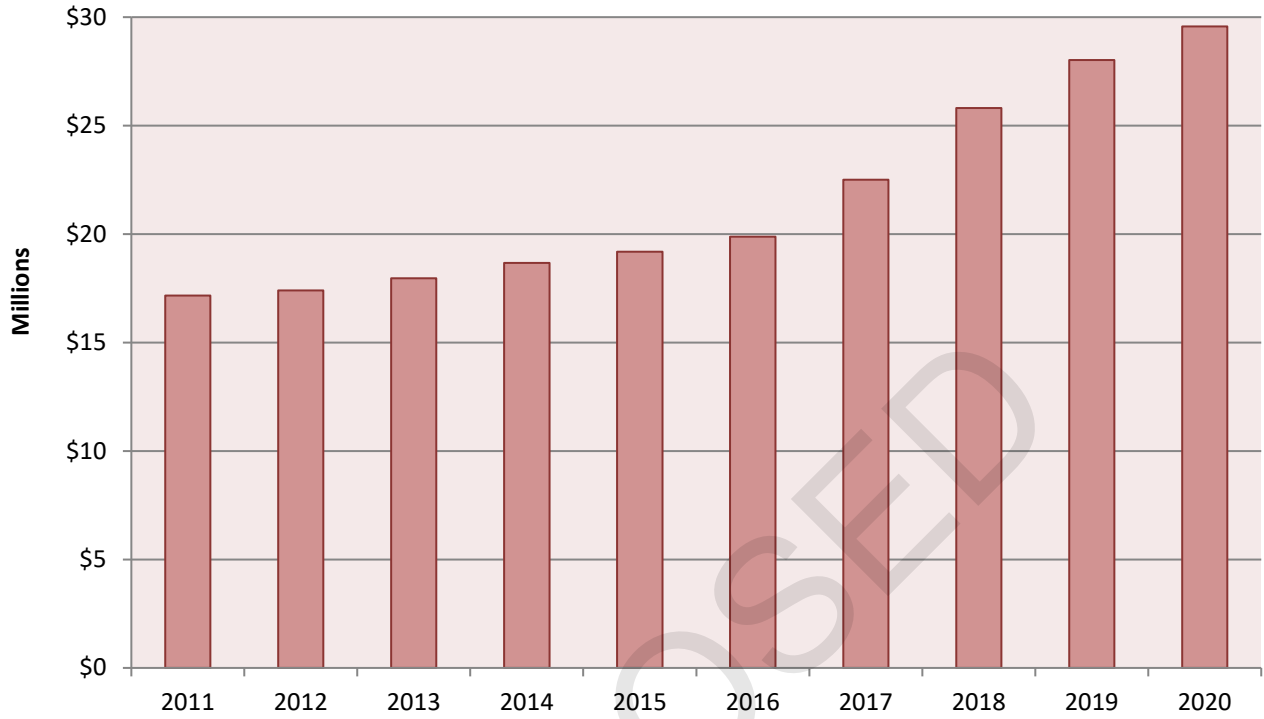
Sewer Service Rate for Surrounding Areas



FY 2020/21

Agency	Sewer Service Rate ⁽¹⁾
Fairfield-Suisun Sewer District	\$502
City of Rio Vista	619
Novato Sanitary District	657
City of Yountville	665
City of American Canyon	677
Vallejo San & Flood District	715
City of Vacaville	722
Napa Sanitation District	739
City of Benicia	818
Las Gallinas Sanitary District (San Rafael)	968
City of Rohnert Park	1,086
City of Calistoga	1,140
Sonoma Valley County Sanitation Dist	1,235
City of St. Helena	1,271
City of Petaluma	1,295
City of Santa Rosa	1,434

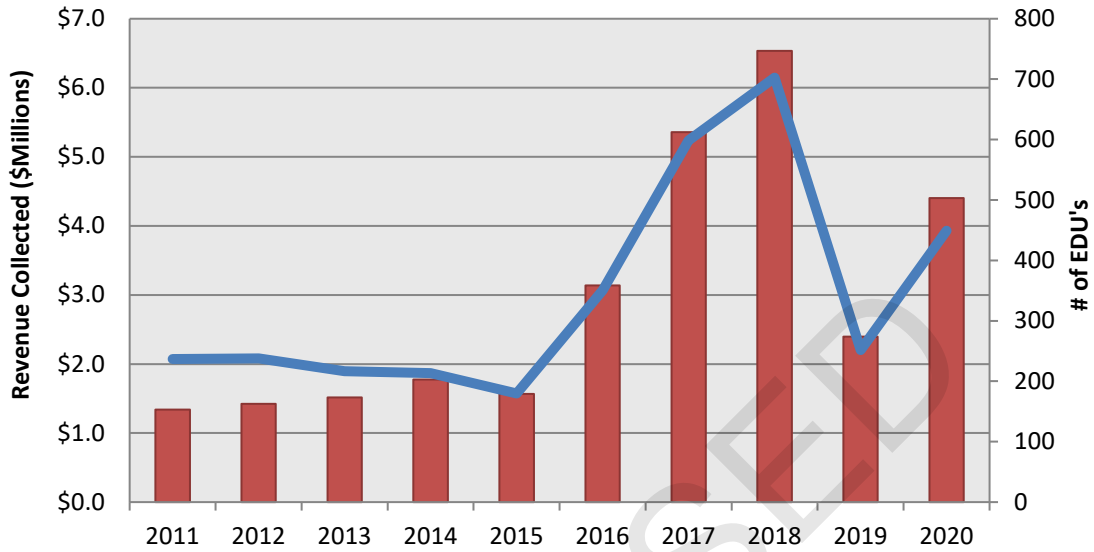
Sewer Service Revenue



Historic Sewer Service Revenues

Fiscal Year Ended June 30	Sewer Service Revenues	Percentage Change
2011	17,173,259	-
2012	17,400,473	1.3%
2013	17,965,150	3.2%
2014	18,665,200	3.9%
2015	19,190,535	2.8%
2016	19,887,172	3.6%
2017	22,501,544	13.1%
2018	25,806,368	14.7%
2019	28,018,017	8.6%

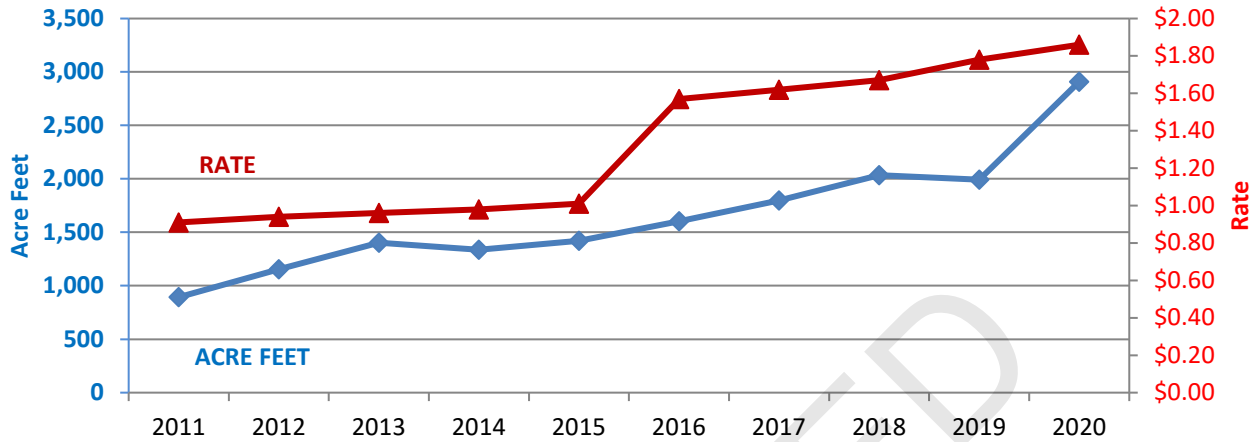
Capacity Charges Past Ten Fiscal Years



Historic Capacity Charges

FY Ended June 30	Capacity Charges (per EDU)	Total Collected	Number of EDU's
2011	5,660	1,339,102	236.6
2012	6,000	1,425,486	237.6
2013	7,000	1,516,677	216.7
2014	8,300	1,774,081	213.7
2015	8,723	1,568,328	179.8
2016	8,950	3,139,503	350.8
2017	8,950	5,355,828	598.4
2018	9,299	6,532,806	702.5
2019	9,520	2,396,746	251.8
2020	9,803	4,403,474	449.2

Recycled Water Sales in Acre Feet



Historic Annual Recycled Water Sales

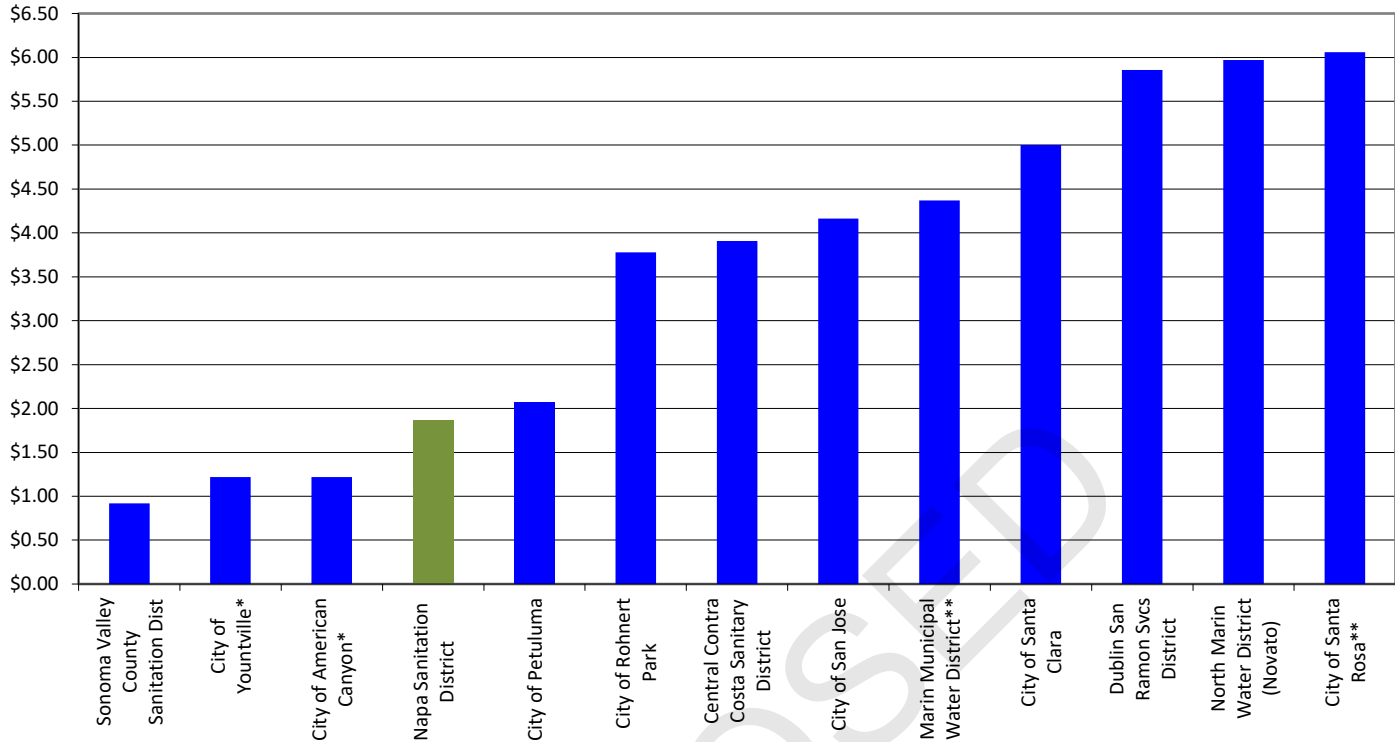
Calendar Year Ending December 31	QUANTITY		RATES
	Total Acre Feet	Total Million Gallons	Rate per 1,000 Gallons
2011	893	291	0.91
2012	1,153	376	0.94
2013	1,402	457	0.96
2014	1,337	436	0.98
2015	1,422	463	1.01
2016 ⁽¹⁾	1,603	522	1.57
2017	1,799	586	1.62
2018	2,035	663	1.67
2019	1,992	649	1.78
2020	2,909	948	1.86

Source: Napa Sanitation District

Note: 1 Acre Feet = .325851 Million Gallons

(1) Board of Directors approved an increase to the Recycled Water Rates starting in 2016. Increases will be done by CPI every year thereafter.

Recycled Water Rate for Surrounding Areas



Recycled Water Rates
FY 2019/20

Agency	Rate per 1,000 gallons
Sonoma Valley County Sanitation Dist	\$0.92
City of Yountville*	1.22
City of American Canyon*	1.22
Napa Sanitation District	1.86
City of Petuluma	2.07
City of Rohnert Park	3.78
Central Contra Costa Sanitary District	3.91
City of San Jose	4.16
Marin Municipal Water District**	4.37
City of Santa Clara	5.00
Dublin San Ramon Svcs District	5.86
North Marin Water District (Novato)	5.97
City of Santa Rosa**	6.06

*Most customers are being charged this rate

**Tier 1 Rate

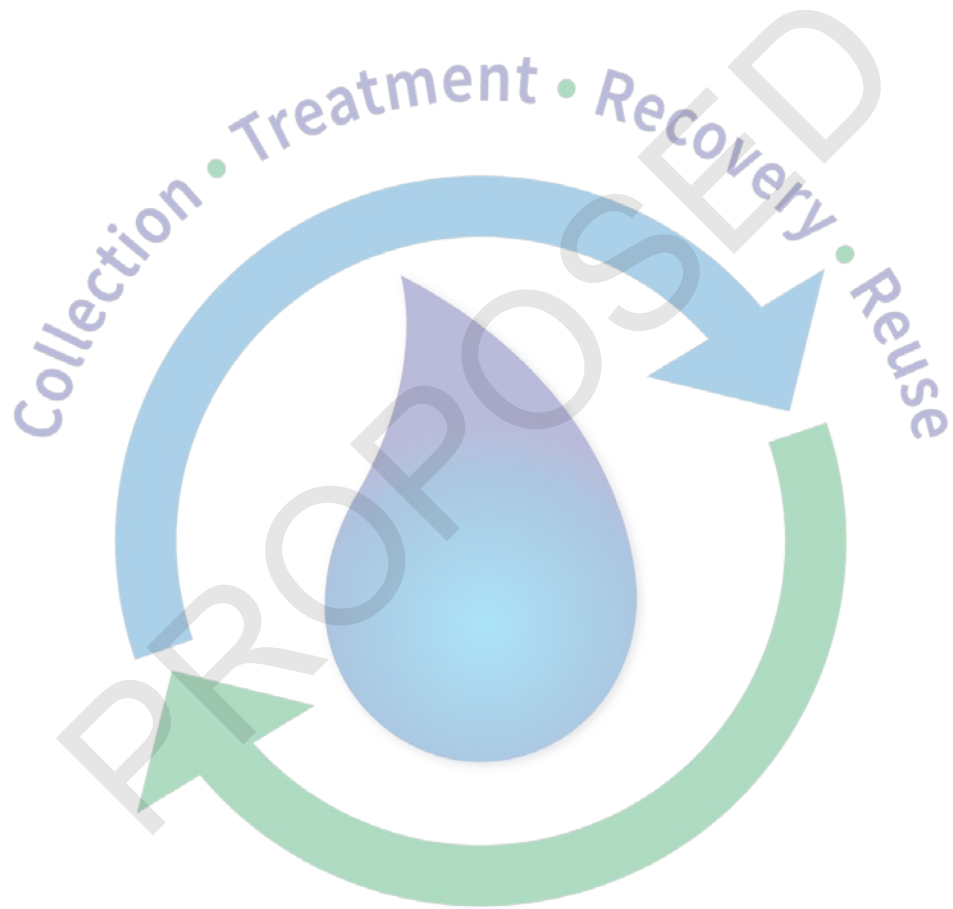
Please note that the rates reflected are based on consumption. Some agencies charge a fixed monthly or annual charge in addition to the consumption charge.

Appendix C

NapaSan Strategic Plan

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NapaSan



NapaSan

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**NAPA SANITATION DISTRICT
Strategic Plan
2021-2025**

Adopted
May 5, 2021

**Napa Sanitation District Strategic Plan
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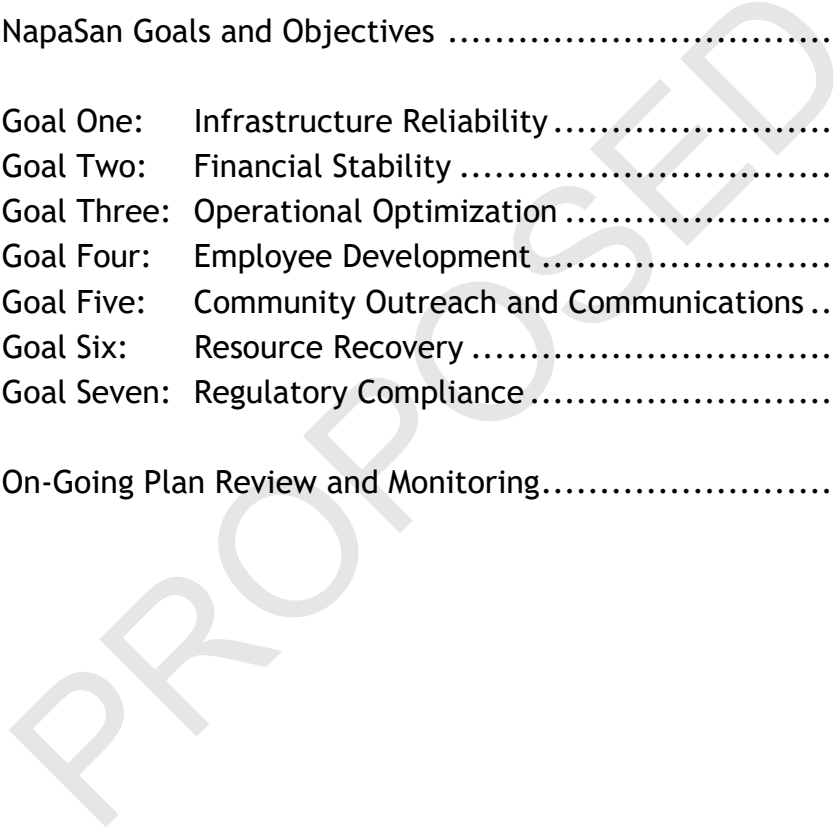
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I. Introduction and Overview

The purpose of the Strategic Plan is to describe the goals, objectives and priorities of the Napa Sanitation District (NapaSan).

The Strategic Plan reflects the direction, insights and expertise of NapaSan Board of Directors and NapaSan staff.

NapaSan strategic planning began in 2008 with work sessions involving the Board of Directors and Department heads. Subsequent Board of Directors work sessions in March 2011, March 2013, March 2015, March 2017, April 2019 and most recently in April 2021 provided the forum to review and critically evaluate key components of the “Planning Guide” adopted by the Board in 2009, including the environmental scan, the mission and vision statements, strategic goals and objectives, and priority projects and programs. In this 2021 plan update we continue the method of engagement with our staff and other key stakeholders, engaging the support of our outside facilitator Dr. Larry Bienati of the Bienati Consulting Group, Inc.

This document represents the culmination of these planning activities and discussions and provides the overall strategic direction for the Napa Sanitation District.

II. NapaSan Accomplishments from 2019 Strategic Plan

Since the last update of NapaSan's Strategic Plan in 2019, NapaSan has made strong progress towards achieving Board priorities. Construction projects are on schedule, policy direction has been provided, and NapaSan remains on solid financial footing. Directors specifically noted accomplishments with recycled water expansion, reduction of Inflow and Infiltration (I&I) in the collection system, administration of the communication and outreach program, and completion of the rate study and Prop 218 rate hearing.

Specific achievements during the last two years include:

- **Completion of a number of key projects** identified in the previous NapaSan Strategic Plan including MST recycled water truck fill station and sewer rehabilitation projects to meet the 2% annual replacement goal.
- Completion of the Sewer Service Charge Study , communication and outreach of the proposed rate modifications, and finalizing the Prop 218 process to modify the rates including implementation of a more equitable rate structure.
- Initiation of the NPDES permit renewal process with the Regional Water Quality Control Board including submittal of the application documents.
- The continued implementation of the asset management program including development of the computerized maintenance management system (CMMS) and population of the asset register.
- Completion of the SCADA Master Plan and the Collection System Master Plan. The Treatment Plant Master Plan is underway.
- Increased recycled water distribution to new customers in LCWD and MST.
- Collaboration with the City of Napa and other Napa County water agencies on the Drought Contingency Plan.
- Upgrade of Standard and Poors Credit Rating to AA+.
- Completion of the employee contract negotiations of a four-year contract.

NapaSan staff also noted the improved efficiencies in overall NapaSan operations which were achieved or those which are in-process including:

- **Construction of the Browns Valley Trunk and West Napa Pump Station projects** - The construction of these key projects started in the spring of 2020 and are expected to be completed in the fall of 2021.

- **Revenues from Land Leases** - The lease of the Somky Ranch and lease of land to Eagle Vines Golf Course has generated significant revenues for NapaSan to fund its Low Income Assistance Program for sewer service charges.

Overall Board and staff members believe that much was accomplished during the last two years in accordance with the priorities set forward in the 2019 NapaSan Strategic Plan. Moreover, in light of the Pandemic challenges that occurred in March 2020, the staff continued to maintain its focus in delivering on our mission in service to our ratepayers.

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III. Environmental Scan

CURRENT TRENDS, CHALLENGES AND OPPORTUNITIES

Board members and other stakeholders identified a myriad of issues, challenges and opportunities facing NapaSan as it looks to the future. This section includes items identified in the course of the Board Strategic Planning sessions since 2011.

Wastewater Treatment System

- Monitoring and addressing new system requirements related to discharge limitations
- Recognizing and understanding treatment plant vulnerabilities, determining the level of acceptable risk and developing contingency plans and appropriate messages and responses
- Maintaining and replacing aging sewer infrastructure Maintaining the high rates of beneficial reuse
- Maintaining compliance with all environmental regulations
- Understanding the potential impact of Constituents of Emerging Concern (CECs), such as endocrine disrupters, on the treatment process and potential regulatory requirements
- Implementing long-term system master plans

NapaSan Recycled Water Services

- Increasing demand for recycled water
- Expanding use of recycled water
- Change in regulatory restrictions
- Evaluating the allocation of water in the recycled water program
- Expanding recycled water delivery in the Milliken-Sarco-Tulocay (MST) and Los Carneros Water District (LCWD) areas

Customer Service

- Providing excellent, responsive customer service
- Providing excellent and timely plan checking services
- Developing and promoting “business friendly” policies and practices
- Understanding our ongoing role as water “purveyor”

Resource Stewardship and Efficiencies

- An increasing focus by regulators and customers on water quality and nutrient removal
- Continuing to evaluate opportunities for waste as a resource
- Continuing development of cost-effective energy production
- Maximizing energy efficiency and conservation
- Exploring opportunities to utilize renewable energy sources

Facilities and Operations

- Continuing impact of technology on NapaSan operations and evaluate potential threats cyber-attacks to our systems
- Enhancing the District's resiliency plan and preparedness
- Meeting all regulatory standards now and in the future
- Considering the potential impact of rising sea levels on NapaSan operations, such as the impact on pond levees, sewer assets adjacent to the river and creeks, salt water I&I intrusion, and the impacts of drought and larger storm events on the Collection System, treatment process and recycled water quality.

Human Resources and Employee Development

- Expanding the existing succession plan and having the back-up staff and potential new leaders in place who are cross-trained and ready to take on new assignments if necessary
- Attracting and recruiting the right skilled people
- Maintaining an emphasis on workplace safety
- Maintaining good labor and management relations

Organization, Budget and Finance

- Maintaining a solid financial footing (currently have a AA+ rating)
- Managing the conflict between political process and financial stability
- Balancing current rates against future needs (affordability issues)
- Keeping costs under control
- Implementing new residential sewer service rates with appropriate usage categories (single family residence (SFR), apartment, condo, accessory dwelling units (ADU))
- Assess possibilities for affordable housing assistance
- Analyze long term liabilities for retirement (pension) and medical expenses (OPEB) and implement strategies for managing
- Evaluate and expand existing partnerships with other agencies in areas of capital improvements, education, outreach, operations and administration
- Setting clear priorities
- Acquiring the data and information needed to make sound decisions with regard to future capital projects
- Advocating for sound policies at the regional, state and federal levels

Public Engagement, Attitudes and Perception

- Implementing a proactive approach to community outreach
- Developing key messages for NapaSan and our value proposition in what we do

- Clearly communicating complex topics including the establishment of service and rate setting
- Continuing need to make all aspects of NapaSan transparent to the public

NAPASAN CONSTITUENCIES AND CUSTOMERS

The Board identified NapaSan’s core stakeholders and broadly discussed their importance and the role they play in NapaSan decision-making and operations.

Stakeholders	Stakeholder Needs and Expectations	Stakeholder Contributions
A. Regulators	Regulatory compliance	Regulatory requirements and guidelines
B. Ratepayers	Fair, equitable rates and transparency	Fees, service level requests, public meeting comments
C. Agencies	Collaboration and partnership	Technical information and support, administrative services
D. Policy-Makers	Top performance and transparency	Policy direction
E. NapaSan Employees	Tools and resources	Customer service, executing on strategic plan

IV. NapaSan Vision and Mission Statements

Vision Statement

NapaSan will provide reliable service to its customers in its management of Napa's critical water resources, manage risks intelligently and will remain in full compliance with all applicable regulations while anticipating and preparing for the future.

Mission Statement

The mission of NapaSan is to collect, treat, beneficially reuse and dispose of wastewater in an effective and fiscally responsible manner that respects the environment, maintains the public's health and meets or exceeds all local, state and federal regulations.

Values

NapaSan staff and Board members adhere to a set of core values in all aspects of operations:

- Safety
- Fiscal Responsibility
- Manage Risks Intelligently
- Environmental Stewardship
- Quality Customer Service
- Collaboration
- Transparency
- Pragmatism
- Professional Excellence
- Fairness
- Innovation
- Inclusivity

V. NapaSan Goals and Objectives

The NapaSan Strategic Plan is organized according to seven major goal areas:

- Goal One: Infrastructure Reliability
- Goal Two: Financial Stability
- Goal Three: Operational Optimization
- Goal Four: Employee Development
- Goal Five: Community Outreach and Communications
- Goal Six: Resource Recovery
- Goal Seven: Regulatory Compliance

The goal areas represent Board members' overall top priorities. Within each goal area, Board members and operational staff identified their top priority strategies and resulting projects and programs which are summarized on the following pages.

GOAL ONE: INFRASTRUCTURE RELIABILITY

Build, maintain and operate a cost-effective and reliable wastewater treatment system for the NapaSan service area.

Systematic replacement of NapaSan's aging infrastructure is priority number one. A long term capital facilities plan is needed, drawing on accurate information about current facility conditions and projections of future service area needs in five, ten or more years from now. NapaSan **must ensure that treatment capacity will be in place to address current and projected future business and residential capacity needs.**

The District Board established the following key objectives:

1A. Strive to replace and rehabilitate at least 2% of sewers annually, and preferably higher, with a focus on reducing Inflow & Infiltration

Continue recent achievements to average at least 2.0% replacement or rehabilitation of sewers, focusing on those basins with significant inflow and infiltration of stormwater and groundwater, with the desired goal of a higher replacement rate if possible. Consider condition of pipe, risk analysis, road paving schedules, and salinity of infiltration (for chlorides issue) as additional factors in prioritization.

Timeframe:

Staff will report to the Board at the end of each year's replacement and rehabilitation project on progress toward the 2% goal. Staff will report annually, by September 30th of each year, on the I & I flow monitoring results.

1B. Continue to Implement the Asset Management program

Asset Management will help NapaSan to be proactive in addressing the management of its collection system, plant and recycled water infrastructure. It will result in better prioritization of projects and reduced costs by predicting the most cost effective timing for asset maintenance, renewal and replacement.

Timeframe:

Annually update the Board on the status of Asset Management implementation, progress of the program, and confirmation of strategic direction by August 31 of each year.

1C. Complete construction of the Browns Valley Trunk and West Napa Pump Station projects

This is a significant project in the 10-year Capital Improvement Plan.

Timeframe:

Construction completion anticipated in December 2021.

1D. Update the Treatment Plant Master Plan

The Treatment Plant Master Plan (TPMP) analysis started in 2020 and will be updated to align with the recently completed Collection System Master Plan and address both capacity issues and anticipated changes in the regulatory environment.

Timeframe:

Complete TPMP by March 31, 2022.

1E. Study whether to implement a Private Lateral Program

Study the benefits to NapaSan of developing a private lateral program for the reduction of inflow and infiltration (I&I). Complete pilot projects with flow monitoring following in the winter months. Then develop policy options for Board consideration.

Timeframe:

First four pilot projects are completed, with flow monitoring results for the first three. Complete flow monitoring for fourth pilot by September 30, 2022. Complete fifth and sixth pilot projects in summer 2022 and summer 2023, with flow monitoring completed spring 2024. Develop policy options, including cost analysis and program design options, for Board consideration by December 31, 2024.

1F. Rehabilitation of the 66-inch Trunk Main

This is a significant project in the 10-year Capital Improvement Program. Construction of the first phase of the project (Kaiser Road to IPS) is expected to be completed in 2021. Staff will continue to evaluate the condition of existing pipe within the second phase of the project (Imola Ave to Kaiser Road) and schedule design and construction when needed. The second phase is outside the timeline of this four-year Strategic Plan.

Timeframe:

Complete construction of the first phase of the project (Kaiser Road to IPS) by December 31, 2021.

GOAL TWO: FINANCIAL STABILITY

Ensure adequate fiscal resources to fulfill NapaSan's mission.

The District Board has a fiduciary responsibility to ensure that adequate financial resources are in place to operate NapaSan and carry out its mission, and that those resources are used efficiently.

The District Board established the following key objectives:

2A. Update NapaSan's Sewer Service Charge Rate Study in anticipation of the Prop 218 Hearing and Rate Setting Process in Spring 2026.

The study should evaluate the current model for sewer service charges, and make recommendations regarding the rate structure, cost of service and calculated rates based on the current level of service, as articulated in the Ten-Year Financial Plan and Ten-Year Capital Improvement Plan.

The study should have significant and meaningful public outreach and stakeholder input built into the information gathering and policy option development process.

Timeframe:

Present scope of work for the study and associated outreach campaign to the Board by December 31, 2024. Completion of the study and associated outreach prior to the Prop. 218 hearing in March 2026.

2B. Continue efforts to develop non-rate/non-fee revenues through the development of land leases.

NapaSan owns properties that are currently being leased and/or are available for non-district usage for revenue generation. The Board has provided direction to staff on strategies to convert these properties into revenue streams. Staff will implement the direction provided by the Board.

Timeframe:

Ongoing. Discussions with Lands Committee and/or Board of Directors on progress, as appropriate.

GOAL THREE: OPERATIONAL OPTIMIZATION

Implement and maintain effective and efficient operational practices.

The District Board wants to operate NapaSan at or above best practices, utilizing proven technology. Customers, ratepayers and internal staff all deserve high quality service through efficient use of our resources.

The District Board established the following key objectives:

3A. Continue to work with local partners on projects or programs that result in efficiencies and cost savings for our ratepayers and the community we serve.

NapaSan currently outsources administrative services to Napa County, including Accounting (payroll, accounts payable, accounts receivable, general ledger, software maintenance), Human Resources (benefits administration, HRIS), Information Technology (desktop, network, database management, printer servers, website), and Treasury (property assessment collection, cash investment, banking).

NapaSan also successfully partners with the County and with the City of Napa on many different projects and programs. These include coordination of projects with road paving schedules, combined capital projects, combined outreach and educational programs, integrated emergency management, and others.

Direction is to continue to partner in ways that reduce costs, increase efficiencies, or enhance services to the public.

Timeframe:

This is a continuous process improvement goal expected to continue beyond the timeframe of this strategic plan. Staff will report to the Board in the Quarterly Reports on activities and accomplishments under this objective.

3B. Enhance NapaSan's plans and training associated with resiliency, disaster mitigation and disaster recovery

NapaSan should continue to improve the operational resiliency of the system, particularly in the treatment plant. Focus on continuity of service provision during and after emergencies and/or disaster events. This includes implementation of SCADA projects, coordination of NapaSan's emergency communications system with the city and county's emergency management system, participation as an active partner in

the County's Hazard Mitigation Plan, and participation in specific trainings on the activation of these plans.

Timeframe:

Ongoing training. Ongoing coordination with Napa County emergency planning team.

3C. Evaluate and study the potential impacts of sea/river level rise, prolonged drought and increased winter storm intensity to NapaSan's current and future operations.

Increases to the river level could have significant impacts to NapaSan's ability to hold and treat wastewater in its pond system and throughout the treatment plant. Drought and increased storm intensity also can significantly impact the collection system, the treatment plant, and the demand/supply/quality of recycled water.

Activities include partnering with the City of Napa on the Drought Contingency Plan and continuing participation in regional partnerships such as the Bay Area Climate Adaptation Network (BayCAN), as appropriate.

NapaSan should conduct a study to evaluate the impacts of climate change on operations, programs, and facilities.

Timeframe:

This is a continuous objective expected to continue beyond the timeframe of this strategic plan. Staff will report to the Board on the progress, findings and outcome of the Drought Contingency Plan as appropriate. Prepare a climate change plan by June 30, 2022.

3D. Continue to study the expansion of accepting and treating winery waste through alternative methods.

NapaSan staff will continue to receive winery waste on a limited basis through alternative methods, such as directly into the day storage tank or digester, to study the impacts to treatment. Successful methods will be evaluated for applicability at a larger scale, while including analysis regarding service costs and the economic market. NapaSan staff will continue to monitor the need to accept winery waste beyond current levels.

Timeframe:

This is a continuous objective expected to continue beyond the timeframe of this strategic plan. Updates will be provided to the Board as appropriate by October 31 annually on the status of service need, NapaSan's response to the service need, and the response to the service need provided by others.

GOAL FOUR: EMPLOYEE DEVELOPMENT

Maintain a dynamic and skilled workforce through employee engagement, professional development and opportunities for advancement

The District Board wants to create a positive and respectful working environment that encourages all employees to do the best job possible for the ratepayers of NapaSan.

The District Board established the following key objectives:

4A. Promote NapaSan as progressive, professional workplace through engagement and the development and promotion of internships and “in training” programs

Encourage staff to give presentations at professional organization trainings and conferences, assume leadership positions in professional organizations; engage in interagency exchanges of staff or trainings that showcase innovative approaches. Maintain an active role in BAYWORK, offer internship opportunities and scholarships, and promote careers in the water sector at career fairs, direct engagement with local students, during plant tours and at public events.

Timeframe:

This is a continuous process improvement goal expected to continue beyond the timeframe of this strategic plan. Staff will report to the Board in the Quarterly Reports on activities and accomplishments under this objective.

4B. Conduct Employee Surveys, as appropriate

The last employee survey was in Fall 2017. Continue the pattern of surveying employees periodically to ensure we are providing successful work environment so employees can come to work each day and give their personal best. Successful customer services starts with a productive and satisfied workforce.

Timeframe:

Conduct the next employee survey in Fall 2022.

4C. Prepare for and begin MOU Negotiations of Year-Two Reopener

The two labor MOUs and one management association agreement for NapaSan are scheduled for a year-two reopener.

Timeframe:

The Board already maintains a contract with a labor relations firm to assist in MOU negotiations and other labor relations activities. It is expected that preparation for negotiations of the year-two reopener will begin in early 2022, with revised MOUs approved by June 30, 2022. Specific direction will be provided by the Board in closed session.

4D. Address succession planning through supervisory/management training and an internal mentorship program

Develop an appropriate internal management training program to ensure managers/supervisors have the right skills and abilities to lead their team consistent with the core values. Ensure adequate training and opportunities are provided and encouraged for employees to develop the skills and experiences necessary to promote into more responsible positions.

Timeframe:

Hire a consultant to help develop an ongoing program by conducting a gap analysis and recommending the most effective practices to implement. Report to the Board by March 1, 2022 on new practices that have been or will be implemented.

GOAL FIVE: COMMUNITY OUTREACH AND COMMUNICATION

Provide ratepayers with the information they need to understand NapaSan's mission, operations, finances and rate structures.

The District Board wants to ensure that NapaSan operates in a transparent manner, communicates the value of NapaSan's services, and serves as a resource to all ratepayers.

The District Board established the following key objectives:

5A. Inform and engage the community and stakeholders to increase and promote understanding of NapaSan services, rates, and key messages.

Continue to communicate NapaSan's key education and organizational messages to increase awareness of NapaSan as an agency and gain support for initiatives, programs, and the mission of NapaSan.

Timeframe:

Staff will send two issues of the pipeline newsletter annually (one in the fall and one in the spring). Staff will plan and host an annual open house (typically in the fall). Staff will plan and host an annual citizen's academy (typically in the fall).

5B. Proactively communicate with the public, stakeholders and the press regarding current programs, accomplishments, projects, and news.

Anticipate issues and news of interest to the public and develop materials, messages, and delivery mechanisms for connecting with the public and stakeholders. Coordinate communications as appropriate with City, County, and other stakeholder groups to maximize outreach efficacy.

Timeframe:

This is a continuous objective expected to continue beyond the timeframe of this strategic plan.

5C. Collaborate with other local agencies and groups to meet common goals.

Look for opportunities to work with other local agencies to achieve common goals. Enhance existing communications channels, leverage existing networks, and enhance partnerships with other local agencies, schools, industry organizations, businesses, community groups, and environmental organizations to reach and serve more of the community.

Timeframe:

Plan, sponsor, and participate in the annual Earth Day event in downtown Napa (typically in April). Aid in planning the Napa County Science Fair annually (typically in May).

5D. Build and maintain relationships with community leaders, elected officials and stakeholders.

Engage local and regional community leaders, elected officials, and stakeholders to aid in the distribution of NapaSan's messaging to the wider community, build participation in key programs and initiatives, and increase overall awareness of NapaSan. Plan regular meetings and tour events for community leaders and officials to learn more about NapaSan as an agency.

Schedule NapaSan Board member tours of the treatment plant and schedule Board member site visits of projects in both the treatment plant and the collection system. Encourage Board member outreach through social media.

Timeframe:

This is a continuous objective expected to continue beyond the timeframe of this strategic plan. Staff will report to the Board twice annually (in June and November) on community outreach and communication activities and planned future events.

GOAL SIX: RESOURCE RECOVERY

Implement policies and technologies to recover resources from wastewater for beneficial reuse.

The District Board wants to recover resources for reuse when economically viable and a market exists for their beneficial reuse. NapaSan must also use the resources available to ensure a reliable energy supply during emergency conditions as well as during normal times.

The District Board established the following key objectives:

6A. Evaluate current recycled water allocation policy.

Determine whether there is a need to change the prioritization, and if there is additional or unused capacity that should be reallocated. Staff will prepare information for the Board to have meaningful conversations and provide direction to staff regarding the end-use of recycled water that may be available now and in the future.

Timeframe:

Evaluate recycled water usage against existing policy and updates will be provided to the Board annually by March 31 of each year.

6B. Renew recycled water user agreements.

NapaSan issues a recycled water user agreement to each recycled water customer that includes requirements for use, reporting, and cost. The recycled water user agreement template and content was approved by the Board in 2014. All agreements are set to expire on in December 2022.

Timeframe:

Revise recycled water user agreement template and content for Board consideration by June 30, 2022. Reissue recycled water user agreements by December 31, 2022.

6C. Participate with local and regional partners on long-term opportunities for water reuse.

Continue participation and coordination with NBWRA, LCWD, MST (Napa County), and the Drought Contingency Plan agencies to plan for recycled water use expansion.

Timeframe:

This is a continuous process improvement goal expected to continue beyond the timeframe of this strategic plan. Staff will report to the Board in the Quarterly Reports on activities and accomplishments under this objective.

- 6D. Develop a partnership with cities of Napa and American Canyon, if possible, to complete a preliminary feasibility study for developing a “purified water” potable reuse program.**

NapaSan staff will continue to coordinate with Cities of Napa and American Canyon on the Drought Contingency Plans which includes exploring “purified water” potable reuse options. Evaluate public communication and outreach options for a future potential potable reuse project.

Timeframe:

Ongoing. Staff to provide periodic updates to the Board.

- 6E. Evaluate energy self-generation with the primary goal of decreasing overall energy costs and reliance on the energy grid, and recommend policy options for consideration.**

Chemistry and energy are the largest “consumables” in the operating budget, making up about 31.4% of the total Services and Supplies budget and 12.3% of the overall operating budget. Evaluate and recommend ways to reduce energy and chemistry consumption.

Explore the expansion of high-strength waste receiving and the internal combustion combined heat and power (Cogen) system, linear electromagnetic induction, fuel cell, expanded solar, or other ideas to increase NapaSan’s generation of electrical power, as long as there is both immediate and long-term cost savings. Energy projects will be studied as part of the Treatment Plant Master Plan (Goal 1D).

Timeframe:

Staff will provide an update to the Board by September 30, 2022.

- 6F. Improve recycled water quality to increase appeal and acceptability of recycled water to current and future users.**

All of NapaSan’s recycled water is treated to meet the highest recycled water tertiary treatment water quality standards in Title 22. However, those standards allow for chloride levels that could be detrimental to sensitive grape species. NapaSan has been working to reduce the amount of chlorides in recycled water through the reduction of salt water I & I into sewer pipes and through altered water treatment management. Staff will continue to emphasize salt water I & I projects, management practices, and pollution prevention efforts to reduce chlorides to acceptable levels.

Timeframe:

Complete the rehabilitation of the 66-inch trunk main from Kaiser Road to IPS and evaluate the impacts on chlorides by April 30, 2022. Report regularly on chloride testing results through weekly website updates during the irrigation season and periodic reports to the Board.

GOAL SEVEN: REGULATORY COMPLIANCE

Implement policies, best practices and capital investments to ensure compliance with all federal, state and local regulatory requirements.

The District Board wants NapaSan to comply with all existing and future regulatory requirements. This includes its NPDES permit, SWRCB and RWQCB general orders, BAAQMD permits, Cal/OSHA standards, and other federal, state and local laws.

The District Board established the following key objectives:

7A. Negotiate a new National Pollutant Discharge Elimination System (NPDES) permit with the Regional Water Quality Control Board (RWQCB)

NapaSan must renew its NPDES every 5 years. The current permit expires in August 2021.

Timeframe:

New NPDES Permit is expected to be issued by the RWQCB in late-fall 2021. Staff will provide a report to the Board by February 28, 2022 on details of the new NPDES Permit.

7B. Stay current on proposed state and federal legislation that could positively or negatively impact NapaSan's current or future operations.

NapaSan staff should actively engage with federal, state and regional associations to remain aware of potential changes in the regulatory environment, and respond when appropriate with suggestions to improve regulations. This will be done through active participation in CASA, CSDA, BACWA, CWEA, NACWA, WaterReuse, and other appropriate organizations.

Timeframe:

Ongoing. General Manager or Legal Counsel will periodically update the Board on pending legislation and regulations that could impact NapaSan.

7C. Continue compliance with permits and reporting requirements.

NapaSan holds permits to operate from the Regional Water Quality Control Board (NPDES permit), the Bay Area Air Quality Management District (BAAQMD), and the Environmental Lab Accreditation Program (ELAP). Additionally, NapaSan must comply with general orders issued by the State of California including the Waste Discharge Requirements for Sanitary Sewer Systems (SSS-WDR) and the Waste Discharge Requirements for Recycled Water Use.

Staff will continue to comply with permit and reporting requirements.

Timeframe:

Ongoing. General Manager will periodically update the Board as needed.

PROPOSED

VI. On-Going Plan Review and Monitoring

Board members and staff agree that the Quarterly Report of Priority Goals will be updated with the new goals and objectives in this Strategic Plan, with quarterly reporting continuing in a similar fashion.

Board members will receive presentations by NapaSan staff members on key topics (such as infrastructure and capital needs) to explore top priorities in more depth, as needed or requested by the Board.

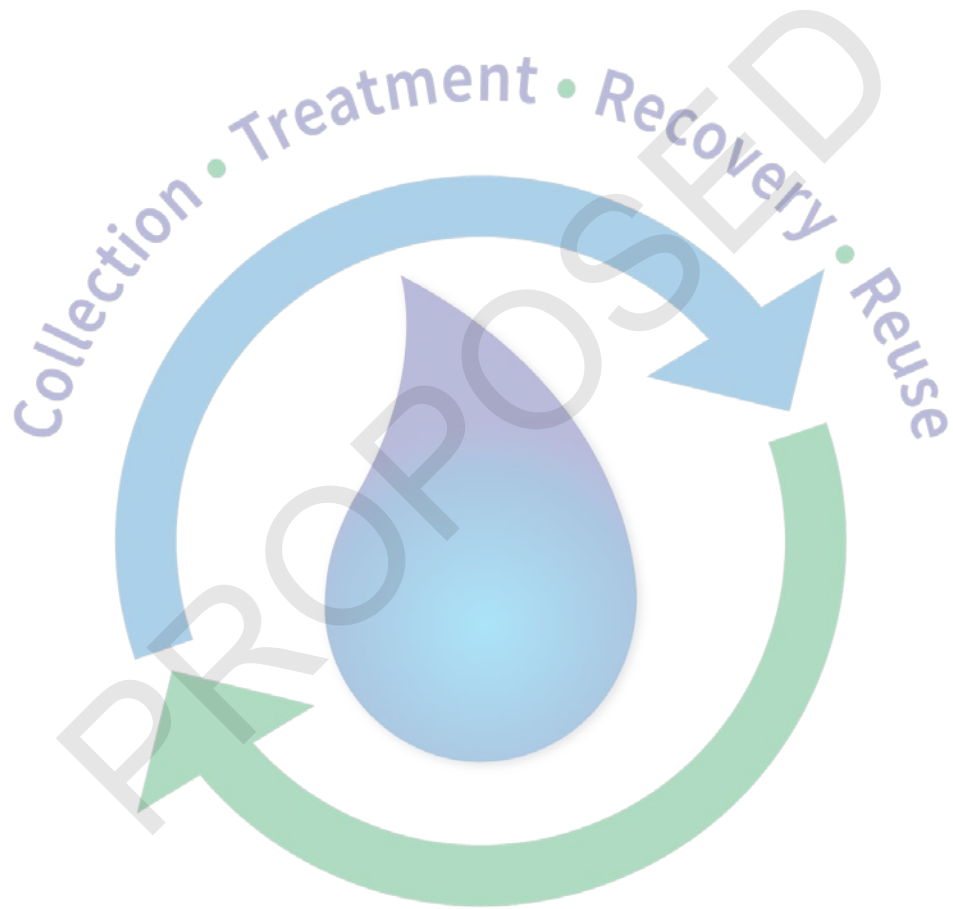
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Appendix D

Financial Policies

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NapaSan



FINANCIAL POLICIES

Approved by the Board of Directors
Last Update: May 16, 2018

PROPOSED

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PROPOSED

1.0 GENERAL POLICIES

1.1 Review annually

Napa Sanitation District's financial policies shall be reviewed annually by the Board and shall be published in the adopted budget.

1.2 Comply with applicable laws

The District shall comply with all applicable state and federal laws and regulations concerning financial management and reporting, budgeting, investing and debt administration.

1.3 Administrative procedures

The Chief Financial Officer shall establish and maintain appropriate financial and internal control procedures to assure the integrity of the District's finances.

PROPOSED

2.0 RESERVE POLICIES

2.1 Reviewed annually

Napa Sanitation District shall maintain reserves that are appropriate to the needs of the District. Targeted reserve levels shall be established and reviewed annually as part of the budget process. The use of fund balance or reserves for operational activities shall be explained in the annual budget document; such explanation shall describe the circumstances for such action and its expected future impact.

2.2 Operating reserves

Napa Sanitation District shall maintain an operating reserve for use during operational or financial emergencies. Emergencies shall constitute significant, unforeseen events that have a dramatic and immediate impact on the operations, assets or financial condition of the District. A plan to replenish this reserve used during a fiscal year shall be developed and approved through the budgeting process in the following fiscal year. The amount of the reserve shall be at least equal to 15% of the budgeted annual operating expenses, excluding debt service, in the General Operations and Maintenance Fund.

2.3 Liquidity

Napa Sanitation District shall maintain cash and investments necessary to meet the liquidity needs for the District. Furthermore, the District shall maintain unrestricted cash and investments as required by any debt covenants.

Liquidity needs shall be calculated as follows: on June 30th of each year the District shall maintain a level of cash and investments, less those amounts held in reserve by a fiscal agent, in an amount at least equal to anticipated operating expenditures between July 1 and November 30, plus the amount held in Operating Reserve.

3.0 REVENUE

3.1 Fees and Charges

3.1.1 Setting of Fee and Charge Amounts

Fees and charges shall be set to recover the current operational needs of the District, including the financing of capital improvements in accordance with the Capital Improvement Program.

3.1.2 Collection of Fees and Charges

The District shall strive to collect all fees and charges imposed, and shall actively pursue and settle delinquent accounts.

3.1.3 Review of Fees

The District shall review fees and charges annually to ensure they are set at appropriate amounts.

3.2 Revenue Forecasting

The District shall estimate revenues conservatively, through an objective, analytical process. The District shall regularly report on forecasted vs. actual revenues, and provide explanation for significant variances.

3.3 Use of one-time and unpredictable revenues

One-time revenues shall be used to support one-time expenditures or increase fund balance. Unpredictable revenues shall not be used to support ongoing operational expenses for a period longer than the revenue can reasonably be expected to support them.

4. BUDGETING AND CAPITAL ASSET MANAGEMENT

4.1 Basis of budgeting

All budgetary procedures will conform to state regulations and generally accepted accounting principles. As such, the District shall use a modified accrual basis of accounting for reporting on budgeted versus actual expenditures, with the following exceptions:

- Grant revenues are budgeted on a modified cash basis rather than an accrual basis;
- Fixed assets are depreciated for some financial reporting, but are fully expensed in the year acquired for budgetary purposes;

4.2 Balanced budget

The District shall maintain a balanced budget, defined as total resources (operating revenue, non-operating revenue, intrafund transfers and beginning fund equity) shall equal total requirements (operating expenses, capital expenses, intrafund transfers and ending fund equity) including contingencies. Furthermore, the District considers the budget to be balanced whenever annual operating and non-operating revenues meet or exceed annual operational expenditures. The District is committed to maintaining a balanced budget under normal circumstances and will disclose deviations from a balanced operating budget when it occurs.

4.3 Budget control

The Board of Directors retains the exclusive authority to increase annual budget authority for Operational Expenditures. In no case may total operating expenditures exceed that which is appropriated by the Board without a budget amendment duly approved by the Board.

The Board of Directors also retains the exclusive authority to increase the annual budget authority for Capital Expenditures. In no case may total capital expenditures exceed that which is appropriated by the Board without a budget amendment duly approved by the Board.

Only the Board may authorize transfer of budget authority between Operational Expenditures and Capital Expenditures. Only the Board may increase the number of authorized positions in the Position Control Roster.

The General Manager has the authority to approve budget transfers between operating departments. The General Manager has the authority to approve budget

transfers between capital projects. The General Manager has the authority to hire employees in accordance with the Position Control Roster.

The Director of Administrative Services / Chief Financial Officer shall be responsible for establishing a budgetary control system to ensure compliance with this policy.

4.4 Capital asset acquisition, maintenance, replacement and retirement

4.4.1 Budget for maintenance

The District shall budget for the adequate maintenance of capital equipment and facilities to protect the public investment and ensure achievement of their maximum useful life.

4.4.2 Use of operational fund balance for capital

Operational fund balances in excess of established reserves and liquidity requirements shall be used for the development, rehabilitation or replacement of capital assets.

4.4.3 Capitalization threshold

An asset shall be considered a capital asset when the initial cost of the asset is \$5,000 or more and has a useful life of more than one year. The initial cost shall include any costs necessary to put the asset into its intended use. Interest in real property shall always be considered a capital asset, regardless of its initial cost.

4.4.4 Ten-year Capital Improvement Plan

The District shall prepare, adopt and update annually a ten-year Capital Improvement Plan that identifies and sets priorities for all major capital assets to be acquired, constructed or replaced by the District. The Capital Improvement Plan shall be included in the Adopted Budget. Major capital assets are those which result in a capitalized asset costing more than \$50,000. Capital assets costing less than \$50,000 may be combined into a single major capital project for Ten-year Capital Improvement Plan purposes, with the individual capital assets identified.

4.4.5 Funding requirement

The Capital Improvement Plan shall identify adequate funding to support the acquisition, construction and replacement of assets identified in the plan, and shall identify projects that the District believes beneficial to the system but funding has not yet been identified. The Capital Improvement Plan shall include and indicate when and for what projects the District intends to finance through the issuance of debt. Additionally, the District shall strive to develop a comprehensive strategy and funding plan for the renewal and replacement of existing capital assets.

PROPOSED

5. DEBT ISSUANCE AND MANAGEMENT

5.1 Use of long-term debt

The District shall have a preference to finance capital improvements using pay-as-you-go financing and shall issue long-term debt only to finance capital improvements that cannot be readily financed from current revenues. Some exceptions to this may be made on a case-by-case basis for no-interest and extremely-low-interest loan programs for capital projects.

Debt financing shall be used only for major, non-recurring items or improvements with a minimum of five years of useful life; assets with a shorter useful life shall be financed using pay-as-you-go financing. The intended use of debt shall be described in and integrated into the District's Capital Improvement Plan and any long range financial forecasts.

5.2 Types of debt

The District, either on its own or through a public benefit corporation, may issue general obligation bonds, certificates of participation, revenue bonds, borrow from a bank, borrow from the State of California through the use of state revolving fund loans, borrow from the Federal Government, or issue any other long or short-term instrument approved by and deemed appropriate by the Board of Directors to meet the capital financing needs of the District. Debt may be fixed rate or variable rate.

5.3 Length of debt obligations

The District shall repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt.

5.4 Debt service limitation

The District shall not issue debt where the debt service amounts exceed its ability to pay current obligations from current revenues. This shall be calculated as follows: current operating revenues, less current operating expenditures, shall be at least 125% of anticipated total annual debt service for all outstanding long-term debt.

5.5 Use of credit enhancements

When issuing long-term debt, credit enhancements (letters of credit, bond insurance, etc.) may be used, but only when net debt service on the debt is reduced

by more than the cost of the enhancement, or the enhancement is a requirement for the loan or debt issuance.

5.6 Bond rating

The District shall seek to maintain and, if possible, improve its current bond rating in order to minimize borrowing costs and preserve access to credit.

5.7 Financial disclosure

The District shall fully disclose financial and pertinent credit information as it relates to the District's outstanding securities.

5.8 Internal controls

To ensure debt proceeds are used as intended, the District shall implement internal control procedures that include at least the following:

- Debt proceeds shall be deposited in an account separate from other District accounts, with only revenues and expenditures directly associated with the debt proceeds included in the account.
- At least two approvals from different reviewers will be required on all expenditures of debt proceeds, to review and ensure the expenditure is appropriate to be paid from debt proceeds.
- District accounting staff shall prepare periodic reports on the use of debt proceeds for management review.

6. INVESTMENTS

6.1 Investment policy

The District shall maintain the same investment policy as the County of Napa and shall invest its cash reserves in the County’s investment pool.

6.2 Annual review

The District shall review this policy annually and advise the Board when, in the professional opinion of the staff, it would be prudent to consider alternatives to investing its cash reserves.

PROPOSED

7. FINANCIAL REPORTING

7.1 Quarterly financial reporting to Board of Directors

The District shall prepare and provide to the Board of Directors a quarterly summary report that compares actual revenues and expenditures to budgeted amounts, including relevant information on debt proceeds and debt service payments. The report shall explain significant variances and provide analysis and interpretation of financial information.

7.2 Monthly financial reporting to Board of Directors

On a monthly basis, the Board of Directors shall be provided a financial report that includes budget-to-actual financial reporting and calculation of existing cash balances. The Board shall also receive regularly a report listing payments made to vendors during the reporting period.

7.3 Monthly management report review

The District shall prepare a monthly report for review and use by District management staff that compares actual revenues and expenditures to budgeted amounts, as well as additional reports as requested to assist in managing the day-to-day operations of the District.

8. ACCOUNTING

8.1 Financial statements

The District shall prepare financial statements annually, in accordance with generally accepted accounting principals for governments in the United States.

8.2 Annual financial audit

The District's financial statements shall be audited annually by an independent, qualified third party in accordance with generally accepted auditing standards, and shall complete the audit within eight months of the end of the fiscal year. The audit results and any associated management response shall be presented to the Board of Directors.

8.3 Accounting policies and procedures

Management shall develop internal accounting policies and procedures necessary to implement these Financial Policies and to ensure that internal controls, processes and procedures are adequate to protect the finances of the District.

9. PENSION AND OPEB

9.1 Pension Funding, Generally

NapaSan shall be a member of the California Public Employees' Retirement System (CalPERS). NapaSan shall budget for and make at least the minimum payments required by CalPERS to fund the normal cost and the annually determined contribution to any unfunded actuarial liability.

9.2 Additional Payments Toward Pension UAL

NapaSan shall make additional contributions toward the Unfunded Actuarial Liability (UAL) if the most recent Annual Valuation Report identifies a UAL. The source and amount of funding shall be determined and approved by the Board and may include the following sources:

- Annual savings from the refinancing of long-term debt;
- Savings derived from the expiration of payments for a retirement plan's side fund or other amortization bases; and/or
- Salary and benefit savings realized by NapaSan through short-term position vacancies.

9.3 Additional UAL Payments to CalPERS

NapaSan shall pay any additional contributions toward the UAL to CalPERS. Payments shall be applied against any retirement plan's underfunded amortization base specifically, or to the UAL generally, as deemed in NapaSan's best interest.

9.4 Other Post-Employment Benefits (OPEBs)

NapaSan shall provide Other Post-Employment Benefits (OPEBs) in accordance with any negotiated employment contracts or agreements. As a minimum, NapaSan shall budget for and make at least the annually determined contribution necessary to pay for OPEBs provided to current retirees.

9.5 OPEB Trust Payments

NapaSan shall establish an OPEB Trust account under Section 115 of the Internal Revenue Code, and shall prepare an actuarial report for the plan every two years. If the actuarial report identifies a Net OPEB Liability, then NapaSan staff will include payments to the OPEB Trust in the proposed annual budget. The amount proposed

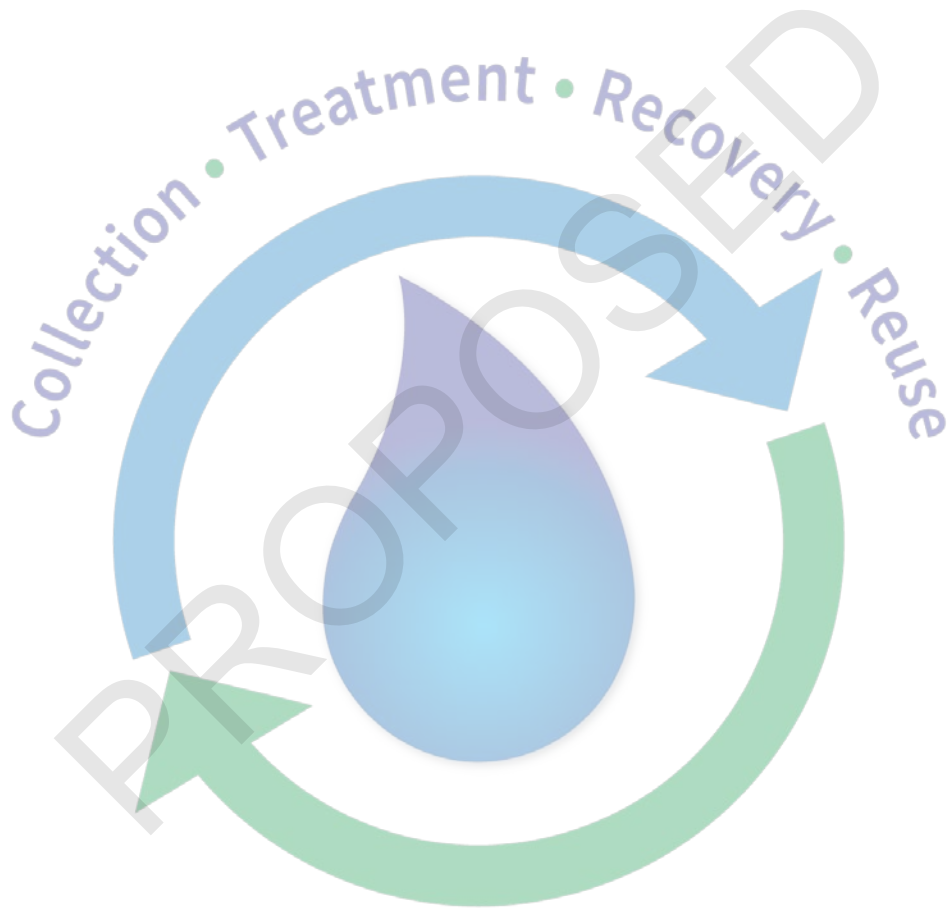
in the budget will be adequate to meet the Actuarially Determined Contribution for that year. The annual OPEB contribution shall be determined and approved by the Board through the budget approval process.

9.6 Use of OPEB Trust Assets

NapaSan may use the assets in the OPEB trust only to pay for OPEB-related expenses.

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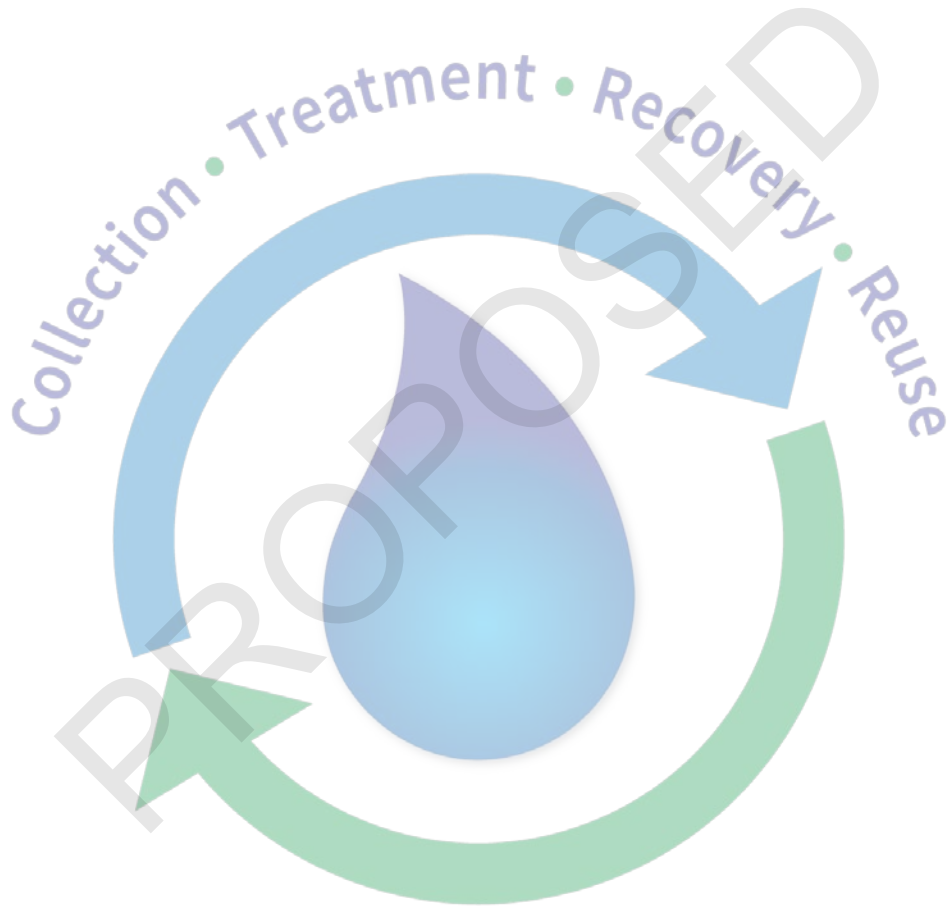
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Appendix E

2020 Performance Measurement Report

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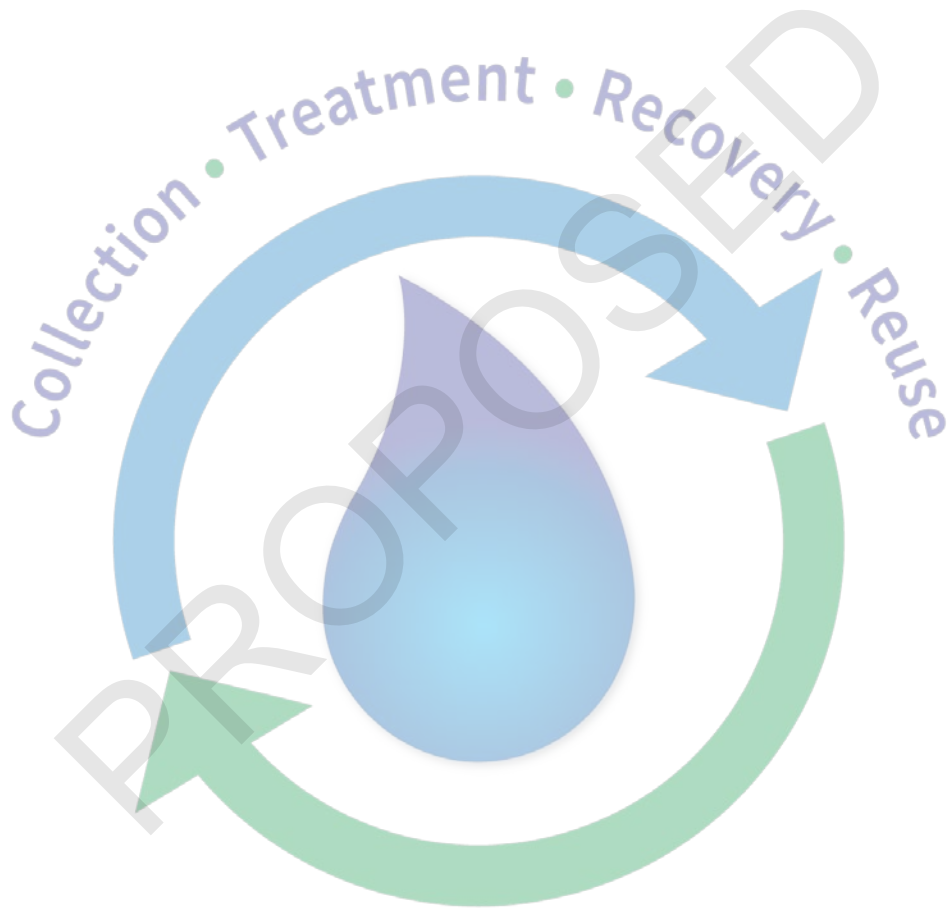
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Appendix F

**Capacity Charges Report
for Fiscal Year 2019/20**

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NapaSan

Capacity Charges Report for Fiscal Year 2019/20

Purpose of the Report

This report is prepared to comply with California Government Code 66013, detailing the amount of capacity charges were received by Napa Sanitation District (NapaSan) 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. NapaSan 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 2019/20, the fee for capacity charges was \$9,803 per Equivalent Dwelling Unit.

Reporting Requirements

NapaSan 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, NapaSan 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 2008/09, that deficit grew by \$276,607.67 to \$12,883,774.67.

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.

In FY 2015/16, that deficit shrunk by \$1,420,063.15 to \$25,165,085.73.

In FY 2016/17, that deficit shrunk by \$4,655,241.32 to \$20,509,844.41.

In FY 2017/18, that deficit shrunk by \$4,695,640.45 to \$15,814,203.96.

In FY 2018/19, that deficit grew by \$385,974.13 to \$16,200,178.09.

Activity for Current Reporting Period (FY 2019/20)

Beginning Balance (deficit) (\$16,200,178.09)

Revenue

Capacity Charges Collected	\$4,403,493.00
Mitigation Fees*	0.00
Interest	3,941.99
Other Associated Revenues**	
USBR – WaterSMART Grant	0.00
Total Revenue	\$4,407,434.99

<u>Expenditures / Capital Projects</u>	<u>FY 19/20 Total Expended</u>	<u>% of project allocated to Cap Charges</u>	<u>Total Cap Charges</u>	<u>Status as of 6/30/20</u>
13705 – I&I Reduction Program	\$11,229.91	39.4%	\$4,424.58	Ongoing
14703 – Browns Valley Trunk	1,266,086.75	82.0%	1,038,191.14	Ongoing
18706 – Summer 2019 Sewer I&I	3,577,129.98	39.4%	1,409,389.21	Completed
19703 – 2020 Collection System Rehabilitation	849,304.36	39.4%	334,625.92	Ongoing
19727 – Collection System Master Plan	536,859.59	70.0%	375,801.71	Ongoing
20703 – 2021 Collection System Rehabilitation	3,457.19	39.4%	1,362.13	Ongoing
Total Expansion Capital Expenditures	\$6,244,067.78		\$3,163,794.69	

Ending Balance (deficit) (\$14,956,537.79)

Budgeted Capacity Charge Expenses for Next Reporting Period (as of 10/31/2020)

<u>CIP# / Name</u>	<u>FY 20/21 Adj Budget</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	\$240,500	39.4%	60.6%	\$94,757	\$145,743
14703 – Browns Valley Trunk	19,733,950	82.0%	18.0%	16,181,839	3,552,111
19703 – 2020 Collection System Rehab	6,191,400	39.4%	60.6%	2,439,412	3,751,988
19727 – Collection System Master Plan	100,000	70.0%	30.0%	70,000	30,000
20702 – Manhole Rehabilitation	250,000	39.4%	60.6%	98,500	151,500
20703 – 2021 Collection System Rehab	3,426,550	39.4%	60.6%	1,350,061	2,076,489
20706 – WWTP Master Plan	1,236,350	39.4%	60.6%	487,122	749,228
21701 – 2022 Collection System Rehab	20,000	39.4%	60.6%	7,880	12,120
Total Capacity Charge Expenses	\$31,198,750			\$20,729,570	\$10,469,180

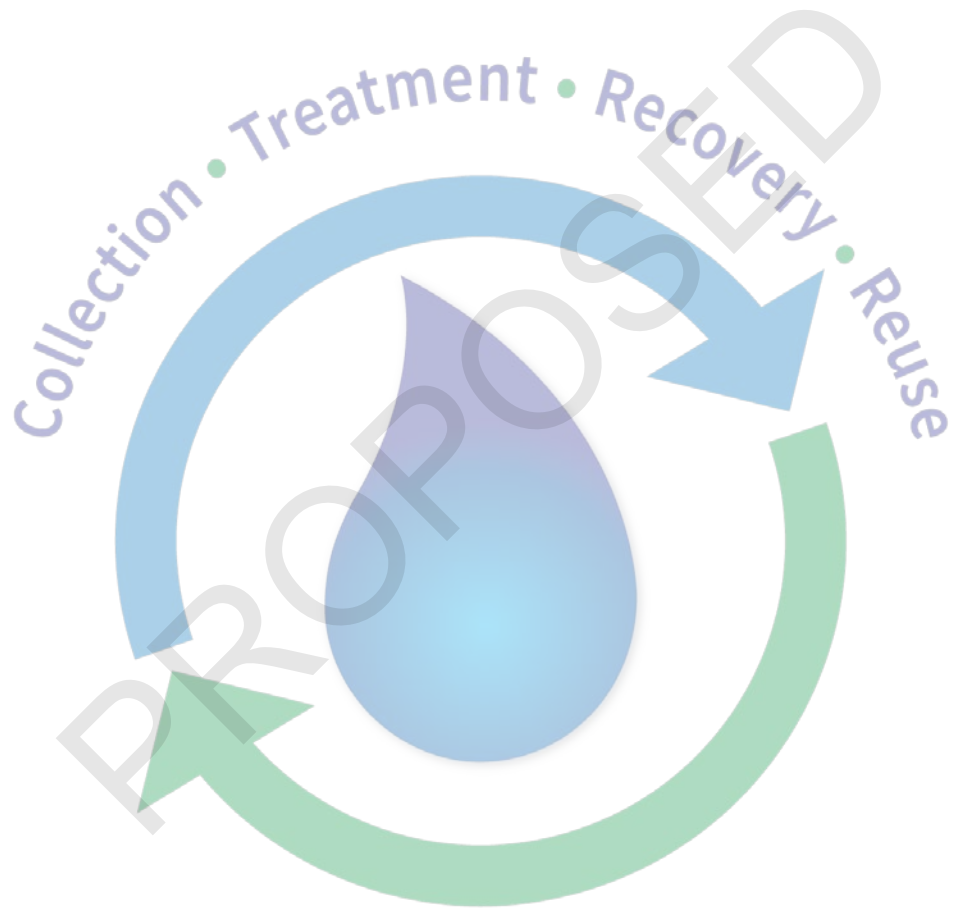
Note:

* 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 NapaSan Adopted Operating and Capital Budget at www.NapaSan.com.

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