



Popular Annual Financial Report

for the Fiscal Year Ended June 30, 2020



Napa Sanitation District • Napa, CA

The background of the slide is a photograph of a large body of water, likely a lake or bay, with several white swans swimming. In the distance, there are rolling hills under a clear sky. A dark teal banner is positioned at the top, containing the title in white text.

MISSION of NAPA SANITATION DISTRICT

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.

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LETTER FROM THE GENERAL MANAGER

NapaSan is pleased to share with you the Popular Annual Financial Report for fiscal year 2019/20.

The second half of this fiscal year brought many challenges, but also provided many learning opportunities and a chance to see how resilient we are as an agency. We were able to adapt and find new ways to continue providing excellent service to safeguard the health of the community and the environment while also protecting the health and safety of our staff.

NapaSan's responsibilities include meeting the day-to-day needs of residences and businesses in Napa and the surrounding community through sewer service, the treatment and disinfection of wastewater, production and distribution of recycled water, and the planning and construction of multi-year, large scale improvements that benefit the community. Our focus is to protect the public's health, safety, and water environment through responsible wastewater management. We also strive to recover resources such as recycled water and energy.



This report is intended to be a brief but meaningful summary of the work that NapaSan performs for our ratepayers, and a way for ratepayers to look transparently at how their investments in the system are bringing benefit to the community through system maintenance, rehabilitation, and investment in the infrastructure of the future.

Financial information in this report is presented in conformity with generally accepted accounting principles. However, a more in-depth financial review of our operations can be found in the Comprehensive Annual Financial Report and audited financial statements, available online at www.NapaSan.com. You may also request a printed copy of this information by contacting NapaSan at 707-258-6000.

We thank you for your interest in NapaSan and hope that you find the information contained in the following pages helpful. We welcome your comments and suggestions on how we might improve future reports.

Tim Healy, P.E.
General Manager

LOCAL ECONOMY (NAPA COUNTY)

Principal Employers



Employer	FY 2018/19*	
	Employees	% of Total County Employees
Napa State Hospital	2,420	3.22%
Napa Valley Unified School District	1,731	2.30%
County of Napa	1,503	2.00%
St. Helena Hospital	1,300	1.73%
Queen of the Valley Hospital	1,162	1.55%
Trinchero Family Estates	1,160	1.54%
Veterans' Home of California	781	1.04%
Wal-Mart	592	0.79%
City of Napa	583	0.78%
Treasury Wine Estates	507	0.68%
	11,739	15.63%

*Note: The FY 2019-20 information was not available at the time of issuance of the CAFR and this report.

Demographics (change since last year)

POPULATION



139,088
(-1,691)

MEDIAN AGE



41.1
(+0.3)

PER CAPITA INCOME



\$69,388
(+\$1,509)

SCHOOL ENROLLMENT



20,022
(-493)

UNEMPLOYMENT RATE



12.6
(+9.8%)

WHAT WE DO



WASTEWATER

We collect used water that is flushed down toilets or runs down sinks, shower drains, and clothes washers, then treat it to high standards before either discharging it to the Napa River or reusing it for recycled water.



BIOSOLIDS

We collect biosolids from wastewater, use microbes to digest the solids and generate biogas used to make electricity, then apply the dewatered biosolids to farmland to grow crops for animal consumption.



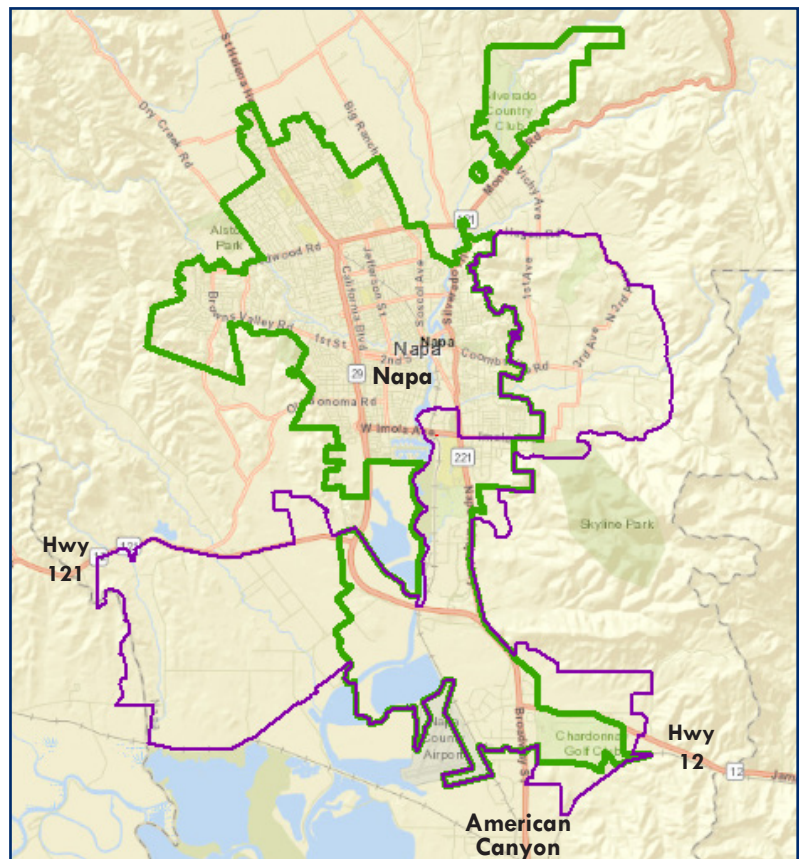
RECYCLED WATER

We treat and disinfect wastewater to very high quality levels, then distribute that water through 26 miles of pipeline for irrigation use in parks, golf courses, landscaping, and vineyards.

NapaSan is an independent special district dedicated to operating and maintaining the community's publicly-owned sewer system. We are not part of the city or county government, but we coordinate our services closely with these agencies to provide seamless service to the public.

NapaSan's sewer service area (in green at right) covers 21 square miles and includes 270 miles of sewer main and another 270 miles of sewer laterals. There are approximately 38,250 connections to the sewer system from residential, commercial and industrial customers.

NapaSan's recycled water service area (in purple at right) covers 26 square miles. The recycled water is used for irrigation of parks, golf courses, landscaping, and vineyards. Recycled water use reduces the demand for groundwater and saves potable water from being used for irrigation.



— Recycled Water Service Area
— Sewer Service Area

NAPASAN BY THE NUMBERS

1945 The year NapaSan was founded.

83,300 The number of customers in NapaSan's service area.

38,250 The number of service connections within the sewer system.

2.38 billion The number of gallons of wastewater that NapaSan received in fiscal year 2019/20.

6.5 million The average number of gallons of wastewater that NapaSan received per day in fiscal year 2019/20.

2,952 acre feet The amount of recycled water distributed by NapaSan in fiscal year 2019/20.
(1 AF = 325,851 gallons)



50% The amount of self-generated energy used to power the treatment plant in fiscal year 2019/20.

1,347 dry tons The amount of biosolids produced by NapaSan in fiscal year 2019/20.

53 The number of approved employee positions at NapaSan.



RATE SETTING

Funded by Rates

NapaSan is funded entirely from rates and charges for service. It does not receive any property tax revenue or any other tax revenues, nor does it receive general revenues from the city, the county or the state. NapaSan must pay for the collection and treatment of wastewater, and the maintenance, repair and replacement of sewer pipes and treatment plant equipment all from rates and charges.

There are three main sources of operating revenue for NapaSan.

- Sewer Service Charges are about 83% of total operating revenues, and pay for the ongoing costs associated with wastewater collection and treatment.
- Capacity Charges are about 12.4% of total operating revenues, and are paid by developers and others to expand the sewer system to meet the capacity needs from growth and new connections.
- Recycled Water and other charges are about 4.6% of the total operating revenue, with the recycled water rates set to recover the costs associated with treatment and distribution of recycled water.



How Fees Are Collected

NapaSan collects most of its sewer service charges on the property tax rolls as an assessment, so that when most residential and commercial property owners pay their property taxes, they are also paying their annual sewer service charges. These are not taxes, but collecting revenues this way saves money, and this savings is passed on to rate payers. A very small percentage of our customers, such as industrial customers, are invoiced directly on a monthly basis.



Capacity charges are collected at the time of development, or when a system user expands their use of sewer services. Recycled water customers are invoiced monthly, based on metered water use.

How Rates Are Set & Proposition 218

Sewer service charges are subject to California's Proposition 218. Passed by voters in 1996, the law requires that most new charges and fees be voter approved. The law excludes water and sewer rates from this requirement and instead sets up a different process. Under the law, sewer rates must not exceed the cost of providing the service, and the rate structure must be proportional to the use. The law also sets requirements for sending written notices to rate payers and requires a public hearing. If more than 50% of rate payers protest the proposed rates, then the rates cannot be passed.



RATE SETTING

In spring of 2016, NapaSan followed the process required by Proposition 218 and notified rate payers of its intention to increase sewer service charges in each of the next five fiscal years.

Maximum Rates Set by Board

The NapaSan Board of Directors established policies and set levels of service for sewer collection and treatment and the replacement of sewer pipeline and treatment plant equipment. Based on these levels of service, a professional rate setting company helped NapaSan calculate the sewer rates that would be necessary to meet those identified levels of service.

At a public hearing in March 2016, NapaSan set the maximum sewer rates for the next five fiscal years:

FY 2016/17	\$554.88 per EDU
FY 2017/18	\$638.10 per EDU
FY 2018/19	\$676.38 per EDU
FY 2019/20	\$710.20 per EDU
FY 2020/21	\$738.62 per EDU

What is an EDU?

An Equivalent Dwelling Unit, or EDU, is a measure that equates to the average wastewater flow and strength of a typical home. Business and industrial user sewer use is converted to EDUs to determine their fees.

Use of Rate Increase

The maximums set by NapaSan represent increases in the rates and revenue collected. The increased revenue will be used for three significant projects:

- Construct 3 miles of sewer interceptor pipeline from Thompson Avenue in Browns Valley through the area south of downtown Napa to the West Napa Pump Station at the corner of S. Coombs Street and W. Imola Avenue. This project includes significant improvements and rehabilitation to the pump station, and is expected to cost \$30 million.
- Invest an additional \$1.9 million annually on the renewal & replacement of aging sewer pipes.
- Invest an additional \$3 million annually on reducing the inflow and infiltration of stormwater and groundwater into the sewer pipes.



YEAR IN REVIEW

Work in the Community

Inflow and Infiltration Project and Sewer Rehabilitation

Inflow and infiltration can add a significant amount of water to the sewer system that can overwhelm the system and lead to sewer overflows. As part of the project to decrease inflow and infiltration in 2019, 6.31 miles of aging sewer pipeline was repaired or replaced, which represents roughly 2.34% of the entire system. NapaSan crews and contractors also repaired or replaced 692 laterals throughout the sewer system.

Sewer Collection System Maintenance and Assessment

In calendar year 2019, NapaSan was able to clean 147 miles of sewer mains, which is 54% of the system. Crews also video inspected 42 miles of pipeline to assess its condition.

Browns Valley Road Trunk Sewer Project

Construction of the Browns Valley Road Trunk Sewer Project and West Napa Pump Station Project began in May of 2020 and will continue through the fall of 2021. When the project is completed, wastewater from Browns Valley and Southwest Napa will bypass overcapacity areas of the sewer system and flow via a new pipeline that will deliver the wastewater to the West Napa Pump Station. The West Napa Pump Station is being replaced with a modern, more efficient station that will use approximately 30% less energy to operate.

Smoke Testing

As part of the Inflow and Infiltration Reduction Program, NapaSan conducts sewer system smoke testing. During this testing, smoke is blown into a sewer manhole to find places where storm water may be entering the system, as well as to assist in locating breaks and defects that may exist in the sewer lines. In the fall of 2019, approximately 20,500 linear feet of sanitary sewer lines were tested in northwest Napa in the area bordered by Solano Avenue to the east, Wine Country Avenue to the north, Dry Creek Road to the west, and Redwood Road to the south.

Recycled Water Production and Distribution

In 2020, NapaSan produced and distributed more recycled water than ever before- approximately 600 acre feet more than in 2019. Nearly 3,000 acre feet (roughly 900 million gallons) of water was distributed for irrigation of vineyards, golf courses, parks, school yards, cemeteries, and commercial landscaping. Use of NapaSan's recycled water reduces the demand on groundwater supplies and saves potable water from being used for irrigation.



Removing rags and debris from the siphon



Smoke testing



Recycled water pipes at Stanly Ranch

YEAR IN REVIEW

Work in the Treatment Plant

Pond Dredge Project

NapaSan has four wastewater treatment ponds that allow for the treatment of water received in excess of what can be cleaned within the treatment plant in a given day. Solids from wastewater accumulate at the bottom of the ponds. Removal of the solid build up improves the treatment performance of the ponds, helps eliminate odors when pond levels lower, and creates more capacity in the ponds for additional wastewater storage and treatment. In 2019, the decision was made to use a dredge method to remove solids from Pond 1. The dredge system chosen allowed for high solid removal levels while making sure the pond did not need to be de-watered, which would have been time-consuming and costly. The solids removed from the pond were dried and spread on NapaSan's Somky Ranch to serve as fertilizer for crops. The dredge project was roughly 30% complete in this fiscal year.



Beginning the Pond 1 dredge

Coatings Project

The primary clarifiers receive wastewater that has been screened and aerated to remove large solids and grit. The primary clarifiers are essentially settling tanks where suspended solids are separated from the water. The solids are sent to the digester and the water continues through the treatment process. The equipment and coatings in the primary clarifiers were corroded after 20 years in operation and were found to be in need of repair or replacement to prevent further deterioration. Rehabilitation or replacement of metal structures, sandblasting, and new protective coating application were completed in the spring and summer of 2020. Similar coating repairs were performed on the Dissolved Air Flotation Clarifier.



One of the two primary clarifiers.

Computerized Maintenance Management System

NapaSan has been working towards the selection and integration of a new Computerized Maintenance Management System (CMMS) to help track the condition of collection system and treatment plant infrastructure. The CMMS will utilize a database of information about asset conditions and maintenance activities that will help NapaSan to schedule maintenance work, track costs, and make informed decisions about maintenance and replacement of equipment. The new CMMS will take the place of the three systems currently in use right now and integrate with important software to streamline the asset management process.

Headworks Equipment Rehabilitation Project

The Headworks Building Equipment Rehabilitation was finished in May of 2020. Headworks is the first stop for wastewater being treated at NapaSan. Over time, the raw wastewater entering Headworks caused corrosion issues that required equipment replacement. Upgrades to the Headworks building include: new panel screens, a new grit washer, odor control system improvements, and changes to facilitate easier equipment maintenance. As part of this project, the primary influent pipe between the headworks building and the primary clarifiers was also re-lined.



New covered screens in Headworks

FINANCIAL SUMMARY

Condensed Statement of Net Position

The Statement of Net Position, also known as a balance sheet, is a financial statement that summarizes what NapaSan owns and owes at the end of the fiscal year (June 30). It also shows our net worth at the end of the fiscal year. The largest portion of NapaSan's net assets is its investment in capital assets. Its long-term liabilities, mostly debt, are associated with the development of those capital assets.

	2020	2019
Current Assets	36,129,263	29,585,347
Capital Assets	237,972,968	232,413,931
Deferred Outflows of Resources	5,563,622	6,374,959
Total Assets & Deferred Outflows of Resources	279,665,853	268,374,237
Current liabilities	8,394,683	8,724,936
Long-term liabilities	59,398,032	63,623,024
Deferred Inflows of Resources	2,645,010	1,989,956
Total Liabilities & Deferred Inflows of Resources	70,437,725	74,337,916
Net Investment in capital assets	193,977,023	185,087,392
Unrestricted	15,251,105	8,948,929
Total Net Position	209,228,128	194,036,321

Definition of Terms:

Current and Non-current Assets – includes all assets, other than fixed assets, that are owned by or due to NapaSan, including any restricted assets.

Capital Assets – includes land, treatment plant, facilities, pipelines, buildings and equipment, net of depreciation.

Deferred Outflows of Resources – includes the use of resources that will be applied to future accounting periods, including deferred employer pension contributions.

Current Liabilities – money owed by NapaSan and due within 12 months.

Long-term Liabilities – money owed by NapaSan that is due more than 12 months in the future.

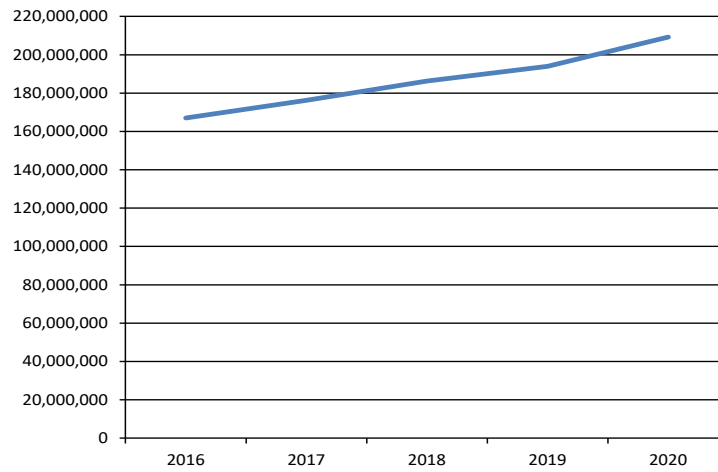
Deferred Inflows of Resources – the purchase of resources that will be applied to future accounting periods, including pension.

Net Investment in Capital Assets – amounts invested in capital assets less accumulated depreciation.

Unrestricted Net Position – net amounts of total assets and total liabilities, not including the net investment in capital assets.

FINANCIAL SUMMARY

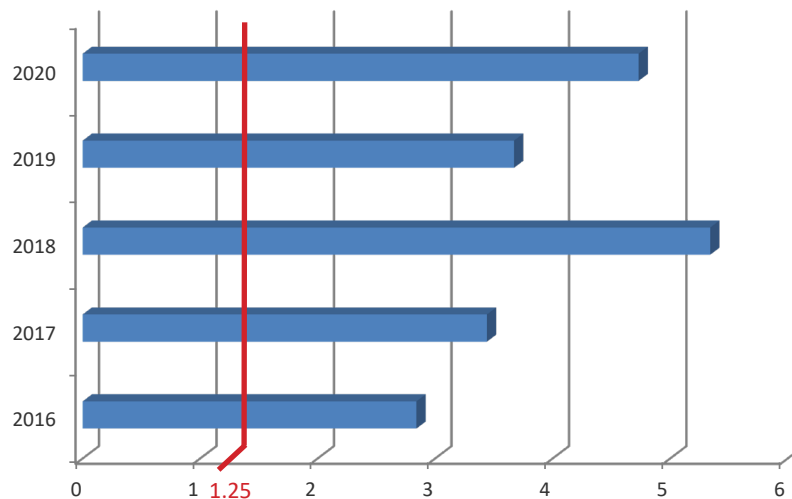
5-YR TREND IN NET POSITION



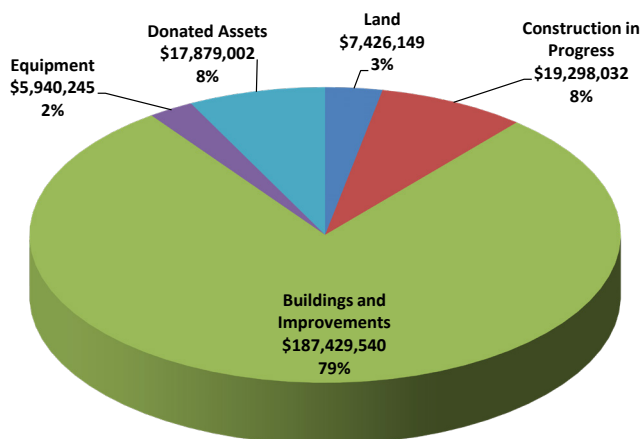
Total net position in fiscal year 2020 improved primarily due to increased cash in the County treasury, the addition of depreciable capital assets, lower deferred employer pension contributions, and a reduction in long-term debt.

DEBT SERVICE COVERAGE RATIO

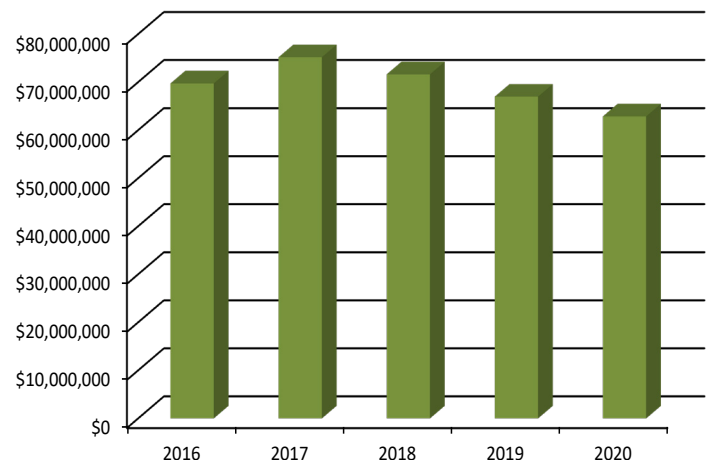
This is the ratio of net revenues to debt service requirements. NapaSan is required by bond covenants to maintain a debt service coverage ratio of at least 1.25.



ASSET CLASS BY TYPE*



LONG TERM DEBT LEVELS



*Net of depreciation

FINANCIAL SUMMARY

Statement of Revenues, Expenses and Changes in Net Position

	2020	2019
Operating Revenues		
Sewer Service Charges	\$29,576,130	\$28,018,017
Capacity Charges	4,403,474	2,396,746
Other charges for services	1,646,408	1,190,085
Total operating revenues	35,626,012	31,604,848
Operating Expenses		
Salaries and benefits	9,396,098	10,661,127
Other Operating Expenses	5,196,375	5,078,787
Depreciation	8,937,908	8,911,062
Total operating expenses	23,530,381	24,650,976
Total operating income	12,095,631	6,953,872
Non-Operating Revenue (Expense)		
Lease Income	131,631	415,667
Taxes	(42,025)	(40,691)
Gain on disposal of assets	(59,331)	(9,516)
Interest Income	487,400	504,027
Interest Expense	(1,257,599)	(1,382,540)
Other Non-Operating Revenue	35,882	63,726
Total non-operating revenue (expense)	(704,042)	(449,327)
Income (Loss) Before Capital Contributions	11,391,589	6,504,545
Capital Grants and Contributions	3,800,218	1,279,731
Change in Net Position	15,191,807	7,784,276
Net Position – Beginning of Year	194,036,321	186,252,045
Prior Period Adjustment	---	---
Net Position Beginning of Year Restated	194,036,321	186,252,045
Net Position – End of Year	\$209,228,128	\$194,036,321

Definition of Terms:

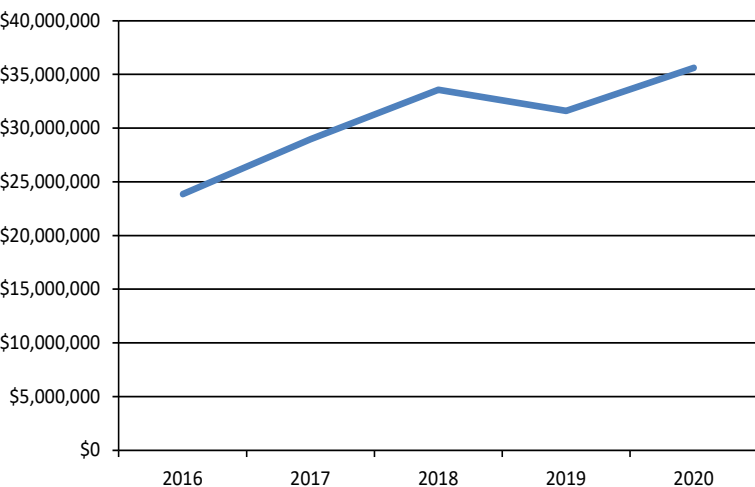
Revenues – income received from providing sewer or recycled water services.

Operating Expenses – Costs of running day-to-day operations at the sewer district.

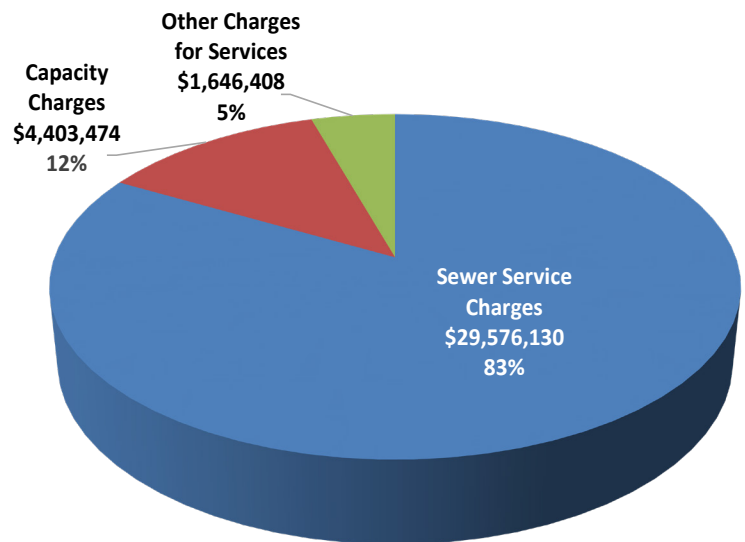
Non-Operating Revenue and Expenses – Income and expenditures not directly related to ongoing operations.

FINANCIAL SUMMARY

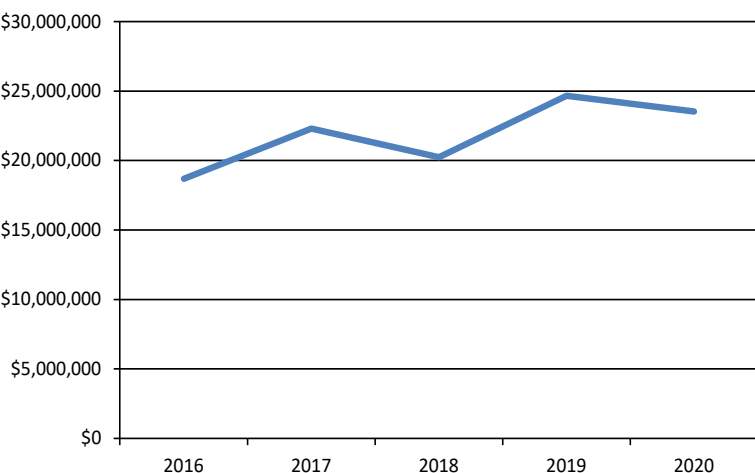
OPERATING REVENUES



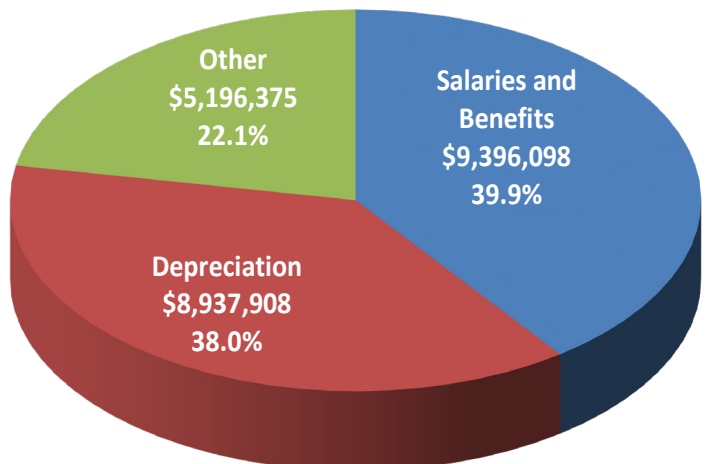
OPERATING REVENUES BY TYPE



OPERATING EXPENSES



OPERATING EXPENSES BY TYPE



EXPLANATION OF SIGNIFICANT CHANGES

Sewer service charges increased due to rate increases, while capacity charges increased due to increased development in the community. Salaries and benefits were significantly lower in 2020 due to an upward adjustment in 2019 to comply with GASB 75 requirements regarding post-employment benefits (other than pensions).

FINANCIAL SUMMARY

Condensed Statement of Cash Flows

The cash flow statement summarizes the net cash coming in and going out of NapaSan during the year. In fiscal year 2018/19, cash flow from operating activities increased due to receipts from customers, while cash flows from capital activities were negatives showing the spending on capital projects.

	2020	2019
Cash flows from operating activities	\$19,266,097	\$20,458,208
Cash flows from non-capital financing activities	(6,143)	23,035
Cash flows from capital activities	(15,344,238)	(19,536,905)
Cash flows from investing activities	619,031	919,694
Net increase (decrease) in cash and cash equivalents	4,534,747	1,864,032
Cash and cash equivalents at beginning of year	28,345,737	26,481,705
Cash and cash equivalents at end of year	\$32,880,484	\$28,345,737

Definition of Terms:

Cash flows from operating activities – all cash received or spent related to NapaSan's daily normal business activities.

Cash flows from non-capital financing activities – includes cash in and out from non-operating revenues, insurance settlement proceeds, dividends and rebates received, and taxes and assessments paid.

Cash flows from capital activities – cash received or spent related to construction of NapaSan's infrastructure.

Cash flows from investing activities – cash received or spent related to investing NapaSan's cash reserves and from land leases.

Secondary clarifier



AWARDS

Awards and Honors

NapaSan had the honor of receiving several awards in recent years. These awards recognized individual employees, NapaSan projects, innovations in the field, and operational practices. The awards received by NapaSan were:

FY 19/20

CWEA Community Engagement and Outreach Person of the Year

Government Finance Officers Association (GFOA) Certificate
of Achievement for Excellence in Financial Reporting

GFOA Distinguished Budget Presentation Award

GFOA Popular Annual Financial Reporting Award

FY 18/19

CWEA Redwood Empire Section Supervisor of the Year

Water Resources Utility of the Future Today Award

GFOA Distinguished Budget Presentation Award

GFOA Popular Annual Financial Reporting Award

Government Finance Officers Association (GFOA) Certificate
of Achievement for Excellence in Financial Reporting

FY 17/18

Government Finance Officers Association (GFOA) Certificate
of Achievement for Excellence in Financial Reporting

GFOA Distinguished Budget Presentation Award

GFOA Popular Annual Financial Reporting Award

IN THE COMMUNITY

Community Outreach and Education

NapaSan has many public outreach programs and participates in community events to inform residents about pollution prevention, maintaining a healthy sewer system, and the wastewater treatment process. While some of our outreach was paused due to the pandemic, we still have many accomplishments to report.

Public and School Facility Tours

NapaSan offers free tours of the Soscol Water Recycling Facility for students of all ages, organizations, service clubs, businesses, and any other group interested in wastewater treatment and water quality protection. Tours had to be cancelled in Spring 2020, but 13 plant tours were given in fiscal year 2019/20 prior to the pandemic.



Classroom and Community Presentations

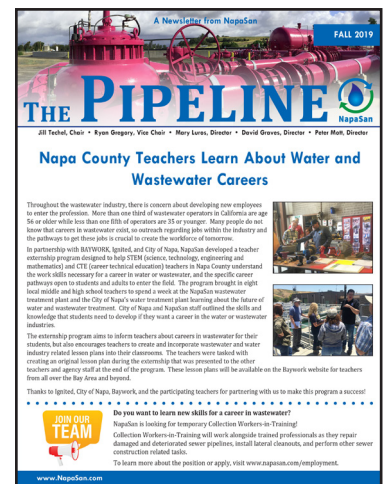
Interactive classroom presentations introduce students to the importance of wastewater treatment and pollution prevention. Students learn about the wastewater treatment process, recycled water, biosolids, and the difference between wastewater and stormwater. There were 15 classroom and community presentations given in fiscal year 2019/20.

NapaSan Open House

Every year, NapaSan holds an Open House for the community to visit the treatment plant, meet the employees, learn about wastewater treatment, and take a tour of the plant. The Open House also includes laboratory visits, bird walks, crafts and games for kids, and large equipment demonstrations.

The Pipeline Newsletter

This fiscal year, NapaSan sent a Fall Pipeline newsletter to all customers. The newsletter has information about pollution prevention, events, and any new NapaSan programs.



Truck Wraps

NapaSan wrapped two trucks with pollution prevention messages aimed at preventing sewer clogs and overflows. The water truck was wrapped with a “No FOG down the drain” sticker, and the TV truck was wrapped with a “Flush only toilet paper” sticker showing commonly flushed items that should be disposed of in the trash.



IN THE COMMUNITY

Citizens Academy

NapaSan held its second Citizens Academy in the fall of 2019. Fifteen people took part in the academy to meet and get to know staff from all of NapaSan's departments, learn how decisions are made, see how the sewer system is monitored and maintained, learn about future projects, and give NapaSan feedback as an agency.

Drug Takeback Program

Beginning in 2010, NapaSan managed an unused or expired drug takeback program at multiple locations in Napa. In December of 2019, NapaSan stopped directly managing takeback sites, but continues to help advertise the many safe disposal sites in Napa and helps plan and sponsor the annual drug takeback event each fall. A total of 1,811 pounds of medication was collected in fiscal year 2019/20.

Earth Day Napa

NapaSan sponsors and helps to plan the annual Earth Day event in downtown Napa. The event brings thousands of people together to learn about sustainable living, to celebrate the earth, and to hear about local opportunities to get involved in environmental protection and stewardship. This year the event went virtual and NapaSan offered two activities for community members looking to learn more about wastewater treatment and get crafty! The event was a great success with over 800 community members participating and over \$5,000 raised for local environmental education.

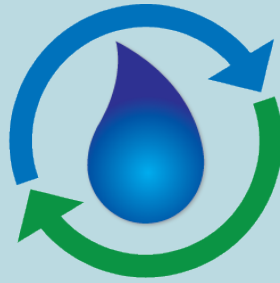
Sheehy Creek Restoration

Each year, NapaSan works with local high school students to restore the riparian corridor along Sheehy Creek, which runs through NapaSan's Jameson Ranch property. Students learn about local ecology, restoration principles, and the use of recycled water and biosolids produced at NapaSan.

Facebook and Vimeo Channel

NapaSan has a Facebook page to update the community about the latest news from the District. NapaSan's Vimeo channel is home to a collection of short videos about the wastewater treatment plant and careers in water and wastewater treatment.





NapaSan

Napa Sanitation District
Napa, CA

www.napasandistrict.com



facebook.com/napasandistrict



vimeo.com/user55326383

Collection • Treatment • Recovery • Reuse