



Agenda Date: 2/15/2005
Agenda Placement: 6A
Set Time: 9:15 AM PUBLIC HEARING
Estimated Report Time: 10 Minutes

NAPA BERRYESSA RESORT IMPROVEMENT DISTRICT Board Agenda Letter

TO: Board of Directors
FROM: Kim Henderson for Robert Peterson - Director
Napa Berryessa Resort Improvement District
REPORT BY: Nate Galambos, Principal Engineer Public Works , 259-8371
SUBJECT: Public Hearing - Proposed water and sewer rate increases

RECOMMENDATION

First reading and intention to adopt an ordinance increasing certain water and sewer connection charges and certain water and sewer service fees to fund the continued provision of water and sewer service in the Napa Berryessa Resort Improvement District.

ENVIRONMENTAL DETERMINATION: The proposed rate increases are statutorily exempt per section 15273 of CEQA guidelines. Specifically, the rate increases are consistent with the list of purposes outlined in 15273(a) that are considered exempt:

1. Meeting operation expenses, including employee wage rates and fringe benefits,
2. Purchasing or leasing supplies, equipment, or materials,
3. Obtaining funds for capital projects, necessary to maintain service within existing service areas.

EXECUTIVE SUMMARY

The District Engineer is recommending an increase to certain water and sewer connection charges and certain water and sewer service fees to fund the continued provision of water and sewer service in the Napa Berryessa Resort Improvement District. The proposed increases were discussed and evaluated in an open forum with all community members invited. The community in attendance was supportive of the proposed rate increases. The increases are proposed as follows:

1. 15% increase to water and sewer use fees; and
2. 33-1/3% increase to minimum charge for water and sewer use; and
3. 150% increase to water and sewer connection fees for each water and sewer hookups

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Water and sewer use and connection fees as follows: <ul style="list-style-type: none"> Proposed 15% increase to current water and sewer use fees, Proposed 33-1/3% increase to the minimum use fees, Proposed 150% connection fee increase
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	<p>The Napa Berryessa Resort Improvement District (District) has not implemented a rate increase since 1998 and the connection fees have not been changed since 1992. As a result the District is marginally covering the cost for operation and maintenance of the District. The District has recently experienced two emergencies that have nearly exhausted their reserve funds and has received a Notice of Violation from the Regional Water Quality Control Board for noncompliance issues with several Waste Discharge Requirements.</p> <p>The cost of the emergencies and the ever-increasing costs of operation, maintenance and regulatory compliance has necessitated the need for additional revenue. The additional revenue will help the District prepare a Master Facilities Plan that will outline a Capital Improvement Plan and Renewal and Replacement Program that will help reduce the risk of emergencies and bring the District into full compliance with the regulatory agencies.</p>
Is the general fund affected?	No
Future fiscal impact:	The Master Facilities Plan will help define a financial plan to help keep the District operating efficiently and reliably, and maintain compliance with all regulations. The District may return to the Board of Directors in Fiscal Year 2005-2006 to request additional rate increases in an attempt to generate a revenue stream to fund the Capital Improvement Plan and Renewal and Replacement Program as well as cover the costs of regulatory compliance.
Consequences if not approved:	Should the proposed increases not be approved the District would not be able to generate enough revenue to provide adequate general and preventative maintenance, thus inevitably suffering additional emergencies due to aged and malfunctioning equipment. Additionally, the District may receive significantly more reprimands and possible fines from the regulatory agencies.
Additional Information:	None

ENVIRONMENTAL IMPACT

The proposed rate increases are statutorily exempt per section 15273 of CEQA guidelines. Specifically, the rate

increases are consistent with the list of purposes outlined in 15273(a) that are considered exempt:

- (1) Meeting operation expenses, including employee wage rates and fringe benefits,
- (2) Purchasing or leasing supplies, equipment, or materials, and
- (3) Obtaining funds for capital projects, necessary to maintain service within existing service areas.

BACKGROUND AND DISCUSSION

The Napa Berryessa Resort Improvement District (District) was established by the Resort Improvement Act in the 1960's. The District contains approximately 560 parcels and provides water and sewer treatment, distribution, collection and disposal services to approximately 300 of the total number of parcels and the Steele Park Resort. Each parcel receiving water and sewer services are charged a user fee based on a flat rate and a variable rate per 1000 gallons. Parcels wishing to connect into the water and sewer system are charged a connection fee prior to receiving service. The rates for water and sewer service were last reviewed in 1998. Connection fees have not changed since 1992.

Over the past year, the District experienced two water emergencies which left residents without water for several days. The first emergency occurred due to a break in the main water transmission line. The second occurred due to electrical and mechanical problems at the Water Treatment Plant. Additionally, the District has received a Notice of Violation (NOV) from the Regional Water Quality Control Board for noncompliance with several Waste Discharge Requirements. An internal review of both water incidents and the NOV, showed that the addition of a renewal and replacement program for both the water and sewer systems would greatly decrease the risk of emergencies and eliminate the reception of NOV's in the future.

Utilizing some of the revenues generated by the proposed rate increases, the District plans to retain a consultant to perform a Master Facilities Plan. The consultant will review the infrastructure throughout the entire District and make recommendations as to infrastructure and equipment renewal/replacement priorities. Current revenue will not allow the District to act on the recommendations that will be made, and the District may return to the Board with a recommendation for additional revenues once the Master Facilities Plan has been completed.

After reviewing the Districts budget over the past few years and the history of water and sewer rate and connection fee increases, it is evident that user fees have not kept up with inflation, increased labor costs or the escalating cost of compliance with regulatory requirements. To begin to accomplish the Master Facilities Plan the District has determined that the following increases would provide the necessary revenue:

Type of Rate	Current rate	Proposed Rate	Percent Increase
Water Fee (variable rate)	\$1.71/1000 gal.	\$1.96/1000 gal.	15%
Sewer Fee (variable rate)	\$1.14/1000 gal.	\$1.31/1000 gal.	15%
Min. Water Charge (flat rate)	\$6/mo.	\$8/mo.	33-1/3%
Min. Sewer Charge (flat rate)	\$3/mo.	\$4/mo.	33-1/3%
Water Connection Fee*	\$1,000	\$2,500	150%
Sewer Connection Fee*	\$1,000	\$2,500	150%

*The water and sewer connection fee shown is for the smallest size connection. The fee for all connection sizes is proposed to increase by 150% also.

Staff met with District homeowners on December 2, 2004 and again on December 16, 2004. Staff presented residents with the proposed rate and connection fee increases, and the proposed rate increases received a favorable response.

SUPPORTING DOCUMENTS

A . 2005 NBRID Proposed Rate Increase Ordinance

B . Tracked Changes

District Engineer Recommendation: Approve

Reviewed By: Andrew Carey