



Agenda Date: 5/1/2019
Agenda Placement: 8B

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Administration

REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000

SUBJECT: Adopt Resolution to Reserve Somky Lease Revenue and Dedicate Toward Future Low Income Program Costs

RECOMMENDATION

Adopt resolution to reserve current fiscal year Somky lease revenue in fund balance and dedicate it toward future Sewer Service Charge Low Income program costs.

EXECUTIVE SUMMARY

NapaSan has offered a Low Income Assistance Program for sewer service charges since 2006. The program provides a 28% reduction in the sewer service charge for qualifying properties.

Program Costs and Financing

Proposition 218 does not allow the rates paid by some rate payers to be increased to pay for a reduction in rates for other rate payers. In other words, a rate payer subsidized low income program is not legal. For this reason, NapaSan uses non-rate revenues to finance its program. Specifically, NapaSan has historically used the lease revenue from the Eagle Vines Golf Club lease for this, although all of NapaSan's lease revenue would be allowable for this use.

The cost of the program has risen significantly, from \$51,733 in FY 2008/09 to \$141,694 in FY 2018/19, as more people have enrolled and the discount has grown with increases in the sewer service charge.

Costs Exceeding Eagle Vines Funding Source Revenue

The cost of the program exceeded the Eagle Vines Golf Course lease revenue in FY 2017/18 and the current fiscal year, and is projected to remain above the lease revenues into the future. However, the program costs are significantly lower than all lease revenues in the current year, which include the revenue from the Somky property which will likely not continue into next fiscal year.

Board Direction

At the April 3, 2019 Board meeting, the Board of Directors evaluated several options for addressing this issue and gave direction to staff. The Board instructed staff to prepare a resolution for Board approval that reserves excess Somky lease revenue received in FY 2018/19 for use in supporting the Sewer Service Charge Low Income Assistance program for use in current and future fiscal years. This reservation of revenues will allow the excess Somky revenue received in FY 2018/19 to be used in future fiscal years to pay for the program, to ensure that rate revenues are not paying for or supporting this program.

Staff recommends adoption of the attached Resolution to achieve the stated Board policy preference.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

None.

SUPPORTING DOCUMENTS

- A . Presentation
- B . Resolution

Napa Sanitation District: Approve
Reviewed By: Jeff Tucker