



NapaSan

Quarterly Report of Priority Goals
for
FY 2016/17 Quarter 4

April 1, 2017 – June 30, 2017

Table of Contents

Quarterly Priority Goal Tracking

Overview & Recommendations
Priority Goal Tracking Summary
Communications Plan Update

Quarterly Financial Report

Overview & Recommendations
Revenues
Operating Fund Expenditure Summary
Capital Program Expenditure Summary

Quarterly Priority Goal Tracking Overview and Recommendations

Overview

In May 2017, the Board adopted its current Strategic Plan, identifying NapaSan's goals and objectives for the next four years. Implementation of the Board's priorities are underway and on track.

There are currently no "completed" projects.

There are currently no projects on the "watch" list.

There are currently no projects on the "delayed" list.

Recommendations

Progress is being made on all objectives. There are no recommended actions for the Board at this time.

2017 Strategic Objectives:

Complete
On Track
Watch
Delayed

Status:

| | | Complete | On Track | Watch | Delayed | Status: |
|----|--|----------|----------|-------|---------|---|
| 1A | Strive to replace and rehabilitate at least 2% of sewers annually, and preferably higher, with a focus on reducing Inflow & Infiltration | | ✓ | | | The 2017 collection system project will rehabilitate 2.1% of the system (under construction) and the 2018 project is planned to rehabilitate 1.5% (in design). Both projects exceed the goal of 1.3%. |
| 1B | Continue to Implement an Asset Management program | | ✓ | | | Phase 1 work is budgeted in FY17/18. |
| 1C | Design and construct the Browns Valley Road Interceptor and any associated capacity enhancements at the West Napa Pump Station | | ✓ | | | The project is proceeding on schedule for construction in 2018-2019. |
| 1D | Update the Collection System Master Plan and Treatment Plant Master Plan | | ✓ | | | The Collection System Master Plan is scheduled for FY19/20 and the Treatment Plant Master Plan is scheduled for FY20/21. |
| 1E | Study whether to implement a Private Lateral Program | | ✓ | | | The 2017 pilot project is underway. |
| 2A | Conduct study of sewer service charge and capacity charge methodologies for residential customers and development, and make recommendation for Board consideration | | ✓ | | | Presented policy options for ADUs in June – Ordinance to follow next quarter. Policy discussion on study questions and outreach options next quarter. |
| 2B | Evaluate long-term liabilities, including pension liability and OPEB liability, and develop policy options for Board consideration. | | ✓ | | | Presentation to Board scheduled for Spring 2018, after actuarial reports for FY 16/17 are completed. |
| 2C | Conduct comprehensive review of strategies for developing non-rate/non-fee based revenues, including land leases, and provide options. | | ✓ | | | Ongoing. Updates provided to Lands Committee and in closed session, when appropriate. |
| 3A | Reengage with winery industry to understand and evaluate options for mutually beneficial alternatives for managing winery waste | | ✓ | | | Study/advisory group will be assembled later this calendar year. |
| 3B | Continue to evaluate opportunities for shared services | | ✓ | | | Ongoing. |
| 3C | Develop Business Continuity Plan as part of disaster mitigation | | ✓ | | | New microwave antenna installed on digester tower by Napa County in May 2017. Plan for SCADA backup currently being developed for inclusion in CIP for FY 18/19. |

2017 Strategic Objectives:

Complete
On Track
Watch
Delayed

Status:

| | | Complete | On Track | Watch | Delayed | Status: |
|----|---|----------|----------|-------|---------|---|
| 3D | Evaluate and recommend ways to reduce energy and chemistry consumption in treatment process and collection system. | | ✓ | | | Ongoing. Recommendation to Board scheduled for Spring 2018. |
| 4A | Promote NapaSan as progressive, professional workplace through engagement and the development and promotion of internships and “in training” programs | | ✓ | | | New Operators-in-Training, lab interns and engineering interns started in May/June 2017. Participated in BAYWORK strategic planning session regarding internships, career paths, and schools outreach. |
| 4B | Conduct Employee Survey in Fall 2017 | | ✓ | | | Work to begin in July 2017. |
| 4C | Explore a Total Compensation Study | | ✓ | | | Scheduled for Board discussion in Fall 2017. |
| 4D | Prepare for and begin MOU Negotiations | | ✓ | | | Work to begin in Fall 2019. |
| 4E | Address succession planning through supervisory/management training and an internal mentorship program | | ✓ | | | Ongoing. |
| 5A | Be proactive in communicating with the public, stakeholders and the press for all aspects of NapaSan’s activities | | ✓ | | | This quarter, two outreach meetings were held and 1,200 resident & business letters were sent regarding the Browns Valley Trunk (BVT) project. Press releases were sent out for BVT and Soscol/Sousa sewer rehabilitation projects. Spring Pipeline Newsletter was created and sent. Sewer service charge increase notices (postcards) were mailed to all customers. Capacity charge increase emails were sent to NapaSan’s email contact list. |

2017 Strategic Objectives:

Complete
On Track
Watch
Delayed

Status:

| | | | | | | |
|----|--|--|---|--|--|--|
| 5B | Complete the deliverables identified in the 2016 Communications Plan to address NapaSan outreach and public information goals | | ✓ | | | Staff continues to work with Soluna Outreach Solutions to broaden the scope of NapaSan’s Spanish language outreach. The Facebook audience and email subscription list continue to grow each quarter. This quarter, the Pipeline newsletter was re-designed and the new logo is slowly being incorporated into all of NapaSan’s communications. |
| 6A | Implement capital projects in partnership with local agencies for the distribution of recycled water | | ✓ | | | Construction has begun for Coombsville extension of recycled water pipeline in MST. |
| 6B | Participate with local partners on long-term opportunities for water reuse, with a long-term goal to achieve 50% reuse of average dry weather flow | | ✓ | | | NBWRA Phase 2 EIR/EIS study started in Q4. Expected completion in June 2018. |
| 6C | Evaluate current recycled water allocation policy | | ✓ | | | Scheduled to begin work in early 2018. |
| 6D | Evaluate energy self-generation with the primary goal of decreasing overall energy costs, and recommend policy options for consideration | | ✓ | | | Scheduled to begin work next fiscal year. |
| 6E | Improve recycled water quality to increase appeal and acceptability of recycled water to current and future users | | ✓ | | | Ongoing. Update provided to Board in June 2017. |
| 6F | Renew or Extend the recycled water agreement with City of Napa that permits NapaSan to sell recycled water within the City’s water service area | | ✓ | | | Ongoing. |

Communications Plan Update

Progress has been made on many of the tasks outlined in the Communications Plan. The new logo and tagline have been incorporated into NapaSan's communication pieces, business cards, signage, and vehicles. The Facebook page and email subscription list continue to grow each quarter and have become important outreach tools for NapaSan. Soluna Outreach Solutions, formerly C² Alternative Services, has been tasked with additional Spanish language outreach for NapaSan in order to broaden the reach of our Spanish outreach efforts.

Staff has been working to build relationships and work in collaboration with local agencies to alert the public to upcoming construction projects. Staff has also been working to increase the visibility of NapaSan at community events including Earth Day, meetings related to the Browns Valley Trunk Project, the Third Thursday Tour series, the Napa County Science Fair, and the Napa Farmers market. In the next quarter, staff will:

- Continue to grow the email subscription list and Facebook page audience
- Continue to increase Spanish language outreach, including translation of additional outreach materials
- Work with County staff on website and content management system changes/re-design

Fiscal Year 2016/17

Fourth Quarter Financial Report

Overview

Significant revenues received this quarter have been higher than anticipated. Sewer service charges finished the year on target, while capacity charges were higher than anticipated in the fourth quarter due to payments from building owners with winery tenants and payment for a new large restaurant near the movie theater. The unexpected payments lead to this revenue meeting budget expectations. Grant revenue tracked to match the spending on grant-funded capital projects. Lease revenue was as expected, with no delinquent payments.

Recycled water revenues are lower than expectations, due to fewer and later connections in the MST and LCWD areas. Hauler fees revenues were also lower than expectations for the year. Investment interest revenue came close to meeting its budget target.

Salaries and benefit expenses were lower than budgeted for the year to date, due primarily to position vacancies, but also resulting from health care insurance expenses being lower than budgeted for the last six months of the fiscal year. These savings will be offset somewhat by increased overtime in Collections due to winter storm response.

Services and supplies spending for the year were lower than budgeted, but within a normal variance. Debt payments were made as expected.

About 53% of the Capital Improvement Plan for the year was completed. There are significant projects in the year's plan that have not yet begun construction, including the Browns Valley Trunk, West Napa Pump Station Improvements, and the recycled water reservoir lining project. The MST recycled water pipeline extension and the Basin G – I&I Reduction #1 project have begun construction, but will not be substantially complete until next fiscal year.

Recommendations

There are no recommendations to adjust the FY 2016/17 budget. Budget amendments for FY 2016/17 depreciation and other accounting entries will be proposed to the Board in September. Carry forward budget amendment will also be proposed at that time, for continuing capital projects.

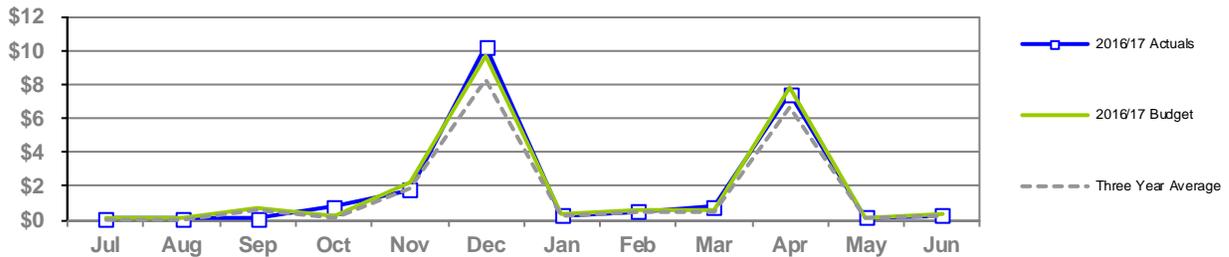
Part 1 - Revenue Summary – All Funds

| Item | Adopted Budget | Adjusted Budget | Actual YTD | Year End Projection | Actual YTD % of Budget | YE Projection % of Budget |
|-----------------------|---------------------|---------------------|---------------------|---------------------|------------------------|---------------------------|
| Sewer Service Charges | 22,514,000 | 22,513,999 | 22,449,176 | 22,449,176 | 99.7% | 99.7% |
| Capacity Charges | 5,512,000 | 5,512,000 | 5,471,165 | 5,471,165 | 99.3% | 99.3% |
| Hauling Fees | 172,000 | 172,000 | 150,757 | 150,757 | 87.6% | 87.6% |
| Permit Review Fees | 184,500 | 184,500 | 194,607 | 194,607 | 105.5% | 105.5% |
| Land Lease | 719,000 | 719,000 | 718,251 | 718,251 | 99.9% | 99.9% |
| Recycled Water Sales | 958,000 | 958,000 | 735,686 | 735,686 | 76.8% | 76.8% |
| Investment Interest | 109,000 | 109,000 | 105,108 | 105,108 | 96.4% | 96.4% |
| Grant Revenue | 2,250,000 | 2,250,000 | 2,790,837 | 2,790,837 | 124.0% | 124.0% |
| Miscellaneous Revenue | 69,000 | 69,000 | 37,548 | 37,548 | 54.4% | 54.4% |
| Sale of Assets | 0 | 0 | 27,729 | 27,729 | N/A | N/A |
| Proceeds from Bonds | 4,550,000 | 4,550,000 | 0 | 0 | 0.0% | 0.0% |
| Interfund Transfer In | 14,412,000 | 14,412,000 | 7,737,000 | 7,737,000 | 53.7% | 53.7% |
| Total | \$51,449,500 | \$51,449,499 | \$40,417,863 | \$40,417,864 | 78.6% | 78.6% |

Revenue Analysis

Sewer Service Charges by Month

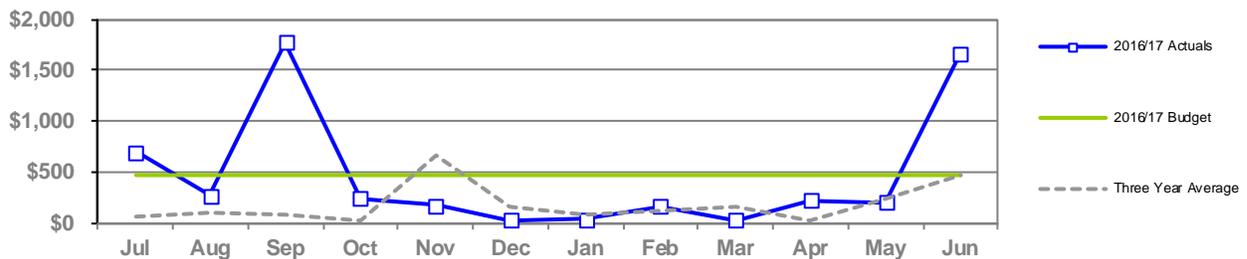
shown in millions



Sewer service charges, the largest revenue source for NapaSan, are collected from property taxes predominantly in December and April, with direct billing of some customers throughout the year. The amount collected for the year was as expected.

Capacity Charges by Month

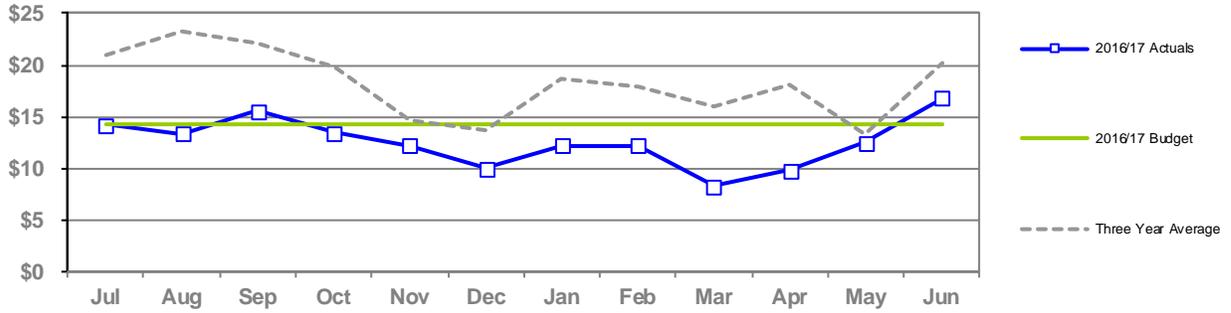
shown in thousands



Capacity charge revenues collected was significantly higher in the fourth quarter due to significant payments for expansion at Ole Health (\$217,932), the County's new staff secure facility (\$449,559), a new restaurant by the movie theater (\$180,700), a dialysis clinic (\$152,042), the residential development Napa Villas (\$214,800) and industrial buildings with winery tenants (\$530,200). With these payments in the fourth quarter, NapaSan was within 1% of meeting the year's revenue projections.

Hauling Fees by Month

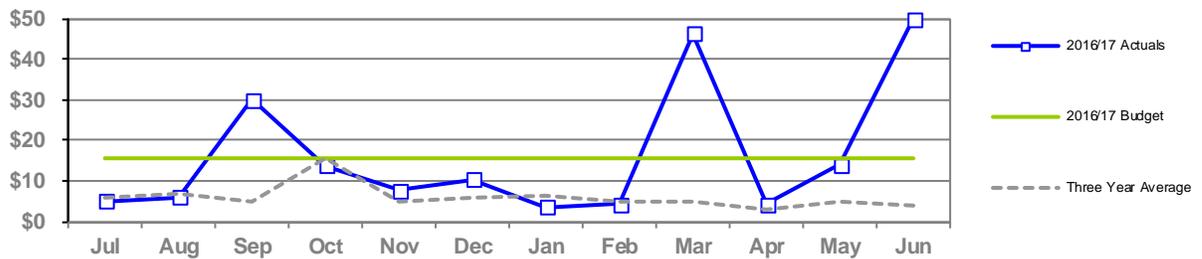
shown in thousands



Septage and FOG hauler revenues came in close to expected budget in the fourth quarter, but lower than expected for the year. The annual revenue numbers continue a downward trend in this revenue stream.

Plan Review Fees by Month

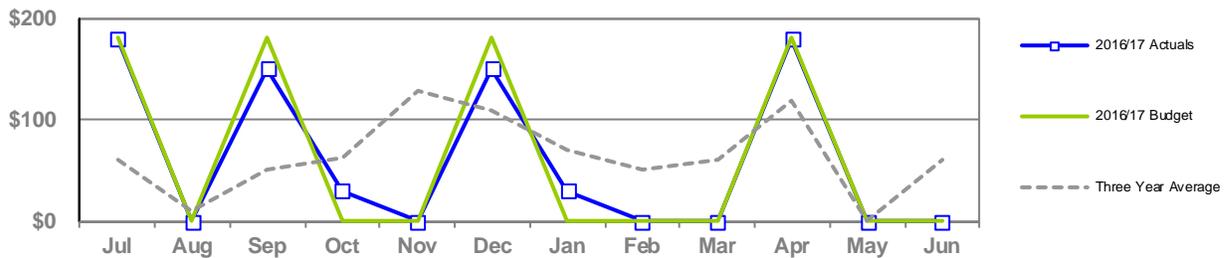
shown in thousands



Plan review fees were lower than expectations for the first two months, then higher in September, followed by five months of lower than expectations. The spike in March is due to the “special consideration” fees paid by SunPower for expedited Board approval. The spike in June is due to a significant increase plan submittals for review. The total revenues in this category are relatively small given the entire revenue picture for the District, but it is useful to watch this number and an indicator of future development in the community.

Land Lease Revenue by Month

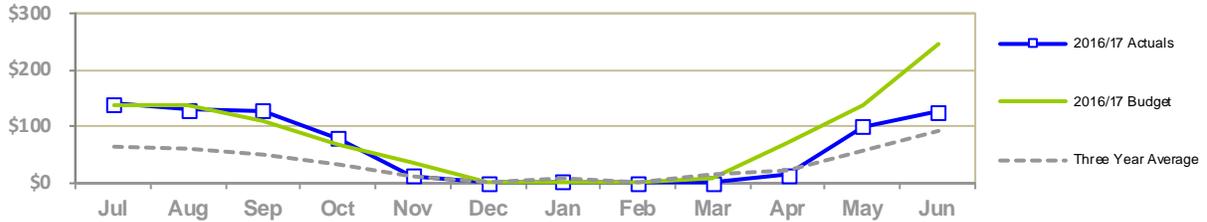
shown in thousands



Lease payments are now being accrued according to contract terms, which make payments due quarterly, represented by the four large spikes on the graph for expected budget. Lease revenue is recorded when earned. All lease payments were made as scheduled, with no delinquencies.

Recycled Water Revenue by Month

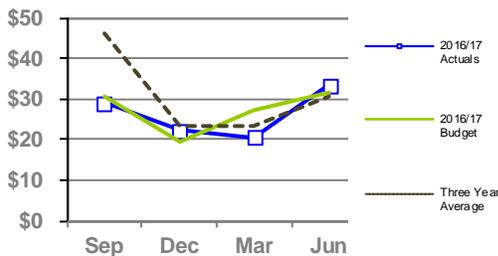
shown in thousands



Recycled water revenue came in as expected for the summer 2016 months, but lower than expected for the November and March “shoulder season” months. The wet winter negatively impact recycled water sales in April. May and June sales were strong, but there were not as many connections in the MST and LCWD areas as originally forecasted to take delivery of water in summer 2017.

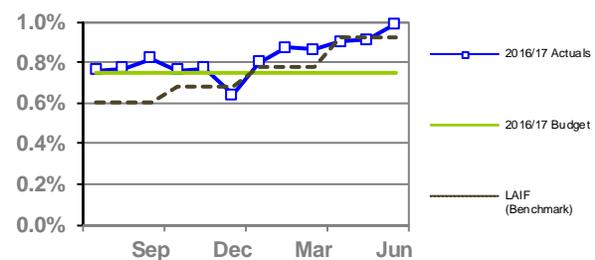
Investment Interest Earnings by Quarter

shown in thousands



Investment Interest Rate by Month

earnings rate



Interest earnings for the year are as expected. The budgeted interest earnings for FY 2016/17 reflects lower cash on hand compared to the 3-year average due to spending down reserves on major projects in the last two years. The interest earnings rate dropped in December, but rebounded in the third and fourth quarters to perform better than the benchmark, with June returns at 0.99%. Long term, the rates are anticipated to increase as investments mature and are reinvested in higher rate securities.

The Local Agency Investment Fund (LAIF) rate is provided in the Investment Interest Rate by Month chart as a benchmark to evaluate District earnings from investments with the County’s investment pool.

Part 2 - Operating Expenditures Summary

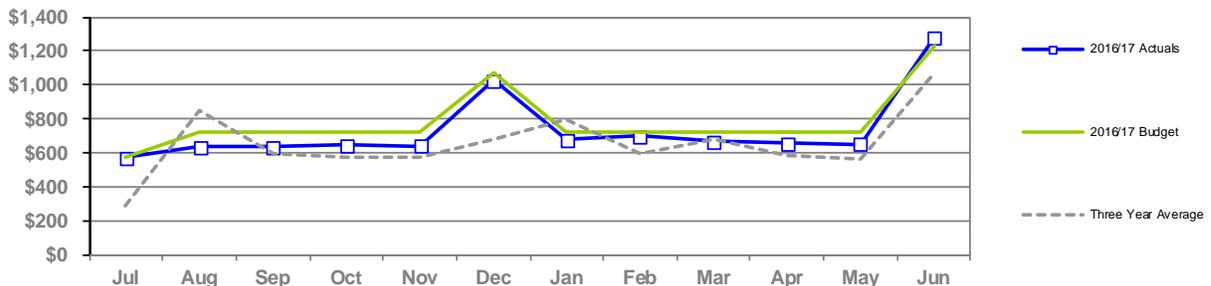
All Departments

| Item | Adopted Budget | Adjusted Budget | Actual YTD | Year End Projection | Actual % of Budget | Year End % of Budget |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|----------------------|
| Salaries and Benefits | 9,382,370 | 9,382,370 | 8,792,605 | 8,792,605 | 93.7% | 93.7% |
| Services and Supplies | 5,568,310 | 6,046,110 | 5,253,872 | 5,253,872 | 86.9% | 86.9% |
| Other Charges | 28,250 | 28,250 | 26,545 | 26,545 | 94.0% | 94.0% |
| Debt Payments | 4,773,050 | 4,773,050 | 4,770,891 | 4,770,891 | 100.0% | 100.0% |
| Interfund Transfers Out | 8,900,000 | 8,900,000 | 2,225,000 | 2,225,000 | 25.0% | 25.0% |
| Operating Expenditures | \$28,651,980 | \$29,129,780 | \$21,068,913 | \$21,068,913 | 72.3% | 72.3% |

Operating Fund Expenditure Analysis

Salaries & Benefits

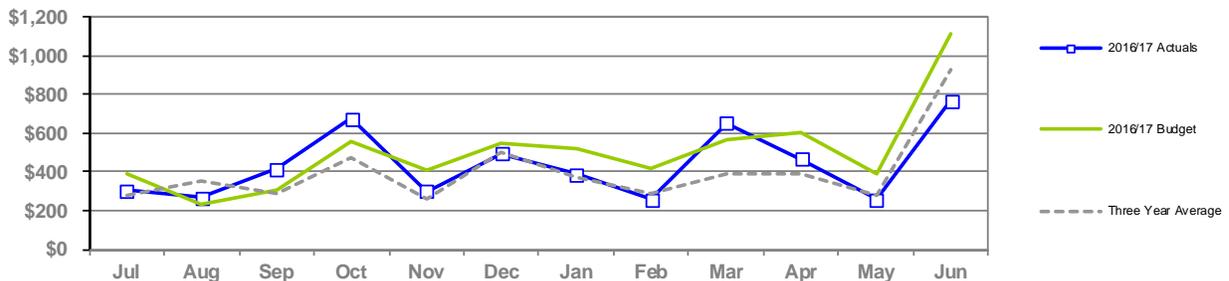
shown in thousands



Salaries and benefits for the year were lower than budgeted, with savings coming from position vacancies and slightly lower than budgeted benefit costs.

Services & Supplies

shown in thousands



The services and supplies expenditures in the last three months were below budget, but in line with historical patterns. For the year, expenses were lower than budget.

Property Taxes and Debt Payments

The first payment of property taxes/assessments for Somky and Jamison Canyon properties were paid in December, and the second payments were made in April. Principal and interest debt service payments for the 2009B Fixed Rate COP and 2012A COPs are due in August and February. Debt service payments were made according to schedule. State Revolving Fund loan principal and interest were paid in December and March, also according to schedule.

Part 3 - Capital Program Expenditure Summary

| Project No. | Project Title | Prior Year Actuals | FY 16/17 Adj. Budget | FY 16/17 Actuals | Variance | % of Budget |
|---|--|--------------------|----------------------|------------------|-----------|-------------|
| <u>Collection System</u> | | | | | | |
| 13701 | Main Line Sewer Repairs | 444,201 | 28,700 | 5,226 | 23,474 | 18.2% |
| 13702 | Manhole Raising | 810,056 | 258,900 | 239,695 | 19,205 | 92.6% |
| 13703 | Lateral Replacements | 620,287 | 72,000 | 69,298 | 2,702 | 96.2% |
| 13704 | Cleanouts Installation | 461,391 | 87,000 | 63,901 | 23,099 | 73.4% |
| 13705 | I&I Reduction Program | 451,374 | 224,000 | 194,970 | 29,030 | 87.0% |
| 14703 | Browns Valley Rd & First Street | 1,525,131 | 3,613,800 | 609,007 | 3,004,793 | 16.9% |
| 15703 | Sarco Creek Pipeline Replacement-CalTRAN | 136,610 | 1,113,750 | 993,650 | 120,100 | 89.2% |
| 15721 | ACP CIPP Lining Project #1 | 299,492 | 311,600 | 311,543 | 57 | 100.0% |
| 16701 | Basin L - I&I Reduction Project 5 | 1,290,370 | 720,100 | 715,956 | 4,144 | 99.4% |
| 16718 | NN Siphon Vault Cover Replacement | 46,018 | 5,000 | 1 | 4,999 | 0.0% |
| 16723 | Milliken Creek Sewer Repair | 0 | 269,000 | 268,955 | 45 | 100.0% |
| 17702 | Upper Lateral Rehab - Basin L (Pilot #2) | 0 | 9,200 | 9,200 | 0 | 100.0% |
| 17703 | Manhole Rehab - Nipak | 0 | 93,000 | 92,089 | 911 | 99.0% |
| 17704 | Infltrtn Rehab - SSMH/PL (CI-) | 0 | 100,000 | 26,071 | 73,929 | 26.1% |
| 17705 | Soscol Ave (8th to Oil Co Rd) | 0 | 500,000 | 84,075 | 415,925 | 16.8% |
| 17707 | 66-inch Trunk CCTV Inspection | 0 | 150,000 | 630 | 149,370 | 0.4% |
| 17708 | Basin G - I&I Reduction #1 | 0 | 2,380,000 | 875,006 | 1,504,994 | 36.8% |
| 17734 | Homewood/Westwood I/I Reduction | 0 | 200,000 | 139,693 | 60,307 | 69.8% |
| <u>Collection System-Equipment</u> | | | | | | |
| 17709 | Eel Replacment 1 | 0 | 5,500 | 5,454 | 0 | 99.2% |
| 17710 | Vehicle 510 - Water Truck | 0 | 189,800 | 186,160 | 0 | 98.1% |
| <u>Lift Stations</u> | | | | | | |
| 17711 | West Napa PS - Rehab | 0 | 1,125,000 | 3,635 | 1,121,365 | 0.3% |
| <u>Treatment</u> | | | | | | |
| 16708 | Algae to Digester with Thermal Study | 9,510 | 50,450 | 3,617 | 46,833 | 7.2% |
| 17712 | Headworks/Primary - Odor Ctrl | 0 | 25,000 | 17,015 | 7,985 | 68.1% |
| <u>Treatment - Equipment</u> | | | | | | |
| 13741 | Secondary PS Pump Rebuild (3) | 27,794 | 52,200 | 52,081 | 119 | 99.8% |
| 13743 | Residual Analyzers (Deox) Replacement | 21,976 | 20,000 | 16,484 | 3,516 | 82.4% |
| 14720 | Belt Press Polymer Skid Replacement | 14,299 | 55,700 | 47,724 | 7,976 | 85.7% |
| 15711 | Rotork Actuator Replacement | 86,861 | 141,450 | 133,806 | 7,644 | 94.6% |
| 15713 | Aeration Basin Instrumentation & Control | 175,870 | 1,574,000 | 1,465,690 | 108,310 | 93.1% |
| 16713 | Buried Metallic Piping (eval/rehab) | 0 | 41,800 | 0 | 41,800 | 0.0% |
| 16714 | High Voltage System Repairs | 0 | 80,000 | 13,467 | 66,533 | 16.8% |
| 16715 | Cogen Bottom End Overhaul | 0 | 225,000 | 222,613 | 2,387 | 98.9% |
| 17713 | Secondary PS VFD Rplcmnt (3) | 0 | 53,600 | 2,447 | 51,153 | 4.6% |
| 17714 | WWTP MP - 3W Sys Imprvmnts | 0 | 60,000 | 23,852 | 36,148 | 39.8% |
| 17715 | Turbidimeters (7) Tertiary Rplcmnts | 0 | 23,000 | 7,575 | 15,425 | 32.9% |
| 17716 | FOG - Strain Press | 0 | 179,400 | 167,472 | 11,928 | 93.4% |
| 17717 | Odor Control VFD | 0 | 51,700 | 10,678 | 41,022 | 20.7% |
| 17718 | LED Pole/Arm Mounted Fixtures | 0 | 128,100 | 83,309 | 44,791 | 65.0% |

| Project No. | Project Title | Prior Year Actuals | FY 16/17 Adj. Budget | FY 16/17 Actuals | Variance | % of Budget |
|--------------------------------------|--|--------------------|----------------------|------------------|-----------|-------------|
| 17719 | Smler 4700 - Pretreatment | 0 | 6,700 | 0 | 6,700 | 0.0% |
| 17720 | Smler 4700 - Pretreatment | 0 | 7,500 | 0 | 7,500 | 0.0% |
| 17721 | Chlorophyll A Analyzer - Pond Water | 0 | 6,200 | 6,105 | 95 | 98.5% |
| 17722 | Stationary Gas Detector Replacment Ph 2 | 0 | 175,000 | 159,062 | 15,938 | 90.9% |
| 17725 | Sump #3 Modification | 0 | 10,000 | 0 | 10,000 | 0.0% |
| 17735 | AB Mixer Basin #5 | 0 | 11,500 | 11,434 | 66 | 99.4% |
| 17736 | Impeller Pump (River Park) | 0 | 9,300 | 9,260 | 40 | 99.6% |
| <u>Treatment - Structures</u> | | | | | | |
| 13724 | IPS Expansion | 19,357,555 | 38,700 | 8,789 | 29,911 | 22.7% |
| 17726 | Headworks Equipment Rehab/Replacment | 0 | 110,000 | 67,862 | 42,138 | 61.7% |
| 17727 | Roof Replacement - Digester 2nd Floor | 0 | 115,000 | 110,713 | 4,287 | 96.3% |
| 17728 | Roof Replacement - AB/Blower Building | 0 | 45,000 | 43,162 | 1,838 | 95.9% |
| 17729 | DAF Access Opening | 0 | 20,000 | 0 | 20,000 | 0.0% |
| <u>SCADA</u> | | | | | | |
| <u>Recycling - District</u> | | | | | | |
| 15717 | Isolation Valve on Kirkland Line (Devlin Rd) | 580 | 73,600 | 66,508 | 7,092 | 90.4% |
| 16716 | Line Recycled Water Reservoir | 63,364 | 301,600 | 132,014 | 169,586 | 43.8% |
| 17731 | Jameson Office Trailer Replacment | 0 | 25,000 | 19,405 | 5,595 | 77.6% |
| 17732 | Vehicle 710 - 8830 Tractor | 0 | 170,000 | 165,932 | 4,068 | 97.6% |
| 17733 | Vehicle 172 - Ford F150 | 0 | 33,000 | 30,900 | 2,100 | 93.6% |
| <u>Recycling - Expansion</u> | | | | | | |
| 13727 | North Bay Water Reuse Project | 1,997,272 | 845,000 | 425,691 | 419,309 | 50.4% |
| 14726 | MST Pipeline Construction | 13,075,073 | 500,000 | 30,107 | 469,893 | 6.0% |
| 14727 | Split N/S Lines, surge protection | 2,749,479 | 50,000 | 19,506 | 30,494 | 39.0% |
| 15718 | LCWD Recycled Water Pipeline Constructio | 10,063,331 | 402,000 | 52,567 | 349,433 | 13.1% |
| 16722 | MST RW Pipeline Extension | 673 | 1,824,300 | 1,357,036 | 467,264 | 74.4% |
| <u>Other</u> | | | | | | |
| 13729 | Development Technical Support | 1,326,594 | 276,800 | 276,800 | 0 | 100.0% |
| 16717 | Admin/Eng Bldg Acoustic Improvements | 0 | 10,000 | 0 | 10,000 | 0.0% |
| | | | 19,283,950 | 10,154,900 | 9,129,050 | 52.7% |

Capital Project Highlights for the Fourth Quarter

14703 Browns Valley Trunk – Design continued during the fourth quarter. Construction is expected to start during FY 17/18.

15713 AB Diffuser Replacement Project – Construction was completed during the fourth quarter.

16716 Line Recycled Water Reservoirs – Design continued during the fourth quarter. Installation is expected to occur in FY 17/18.

16722 MST Recycled Water Expansion Project – Construction started during the fourth quarter.

17705 Soscol-Sousa Trunk Sewer Rehab – The construction contract was awarded during the fourth quarter. Construction is expected to occur during summer 2017.

17708 2017 Sewer System Rehabilitation – Construction started during the fourth quarter and is expected to continue during summer 2017.

17714 3W System Improvements – Design continued during the fourth quarter.

17726 Headworks Equipment Rehab/Replacement – Design continued during the fourth quarter. Installation is expected to occur during summer 2019.

APPENDIX

A. Explanation of Color Codes (1 page)

B. Excerpt from NapaSan Strategic Plan: Priority Goals (6 pages)

Goal 1: Infrastructure Reliability

Goal 2: Financial Stability

Goal 3: Operational Capability

Goal 4: Employee Development

Goal 5: Community Outreach and Communication

Goal 6: Resource Recovery

EXPLANATION OF COLORS FOR TRACKING STATUS

| | Green | Yellow | Red |
|-----------------|---|--|--|
| General | <ul style="list-style-type: none"> • Anticipates meeting Goal | <ul style="list-style-type: none"> • Watch. Potential problem areas ahead. • Without some intervention, would likely turn to RED. (can't be YELLOW without potential for going to RED.) • As of assessment date, Goal still likely to be met. | <ul style="list-style-type: none"> • High probability of not meeting Goal without increase in scope, schedule or budget • Action Plan should be prepared to meet Goal, or if not possible, Goal should be modified or dropped. |
| Scope | <ul style="list-style-type: none"> • Scope will be completed essentially as promised and approved by the Board. • No key scope component will be missed | <ul style="list-style-type: none"> • Scope may be modified as further work continues, and may include revisions to key scope components. • Scope revisions may trigger significant changes in schedule or budget | <ul style="list-style-type: none"> • High probability of not meeting key scope component. • Additional scope, accompanied by schedule and/or budget modifications, necessary to meet overall Goal. • Additional scope that significantly affects the community, regardless of its schedule or budget impact, is necessary to meet overall Goal. |
| Schedule | <ul style="list-style-type: none"> • Schedule essentially on track • Intermediate milestones that do not affect either overall schedule or intermediate commitment dates may be adjusted. | <ul style="list-style-type: none"> • Potential for schedule delay, but not necessarily impact on scope or budget | <ul style="list-style-type: none"> • Goal will not meet schedule. |
| Budget | <ul style="list-style-type: none"> • Budget on or under projections | <ul style="list-style-type: none"> • Potential for budget impact , but not necessarily impact on scope or schedule | <ul style="list-style-type: none"> • Goal will not meet budget. |

FROM NSD 2015 STRATEGIC PLAN

V. NapaSan Goals and Objectives

The NapaSan Strategic Plan is organized according to six 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

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

Through the end of Fiscal Year 2018/19, average at least 1.3% 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, City of Napa road paving schedules, and salinity of infiltration (for chlorides issue) as additional factors in prioritization. Starting in Fiscal Year 2019/20, increase the goal to an average minimum annual replacement rate to 2.0%.

Timeframe:

This is an annual goal expected to continue beyond the timeframe of this strategic plan.

1B. Continue to Implement an 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:

Board acceptance of Asset Management Plan by June 30, 2017. Implement Phase 1 of plan by December 31, 2018. Plan will include timeframe and anticipated costs for future program milestones.

1C. Design and construct the Browns Valley Road Interceptor and any associated capacity enhancements at the West Napa Pump Station

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

Timeframe:

Complete construction by December 31, 2019.

1D. Update the Collection System Master Plan and Treatment Plant Master Plan

The current Collection System Master Plan (CSMP) was completed in 2007. With the completion of several I&I sewer rehabilitation projects and post-construction flow

monitoring data, the Master Plan should be updated to incorporate the results. Once the CSMP is complete and projected flow and loading data is understood, the Treatment Plant Master Plan (TPMP) should be updated to align with the CSMP and address both capacity issues and anticipated changes in the regulatory environment.

Timeframe:

Complete CSMP by June 30, 2020. Begin TPMP upon completion of the CSMP.

1E. Study whether to implement a Private Lateral Program

Study the benefits to NapaSan of developing a private lateral program for the reduction of I & I. Complete pilot projects that are anticipated to be complete in Summer 2018, with flow monitoring in Winter 2018/2019. Then develop policy options for Board consideration.

Timeframe:

Complete pilot projects by October 31, 2018.

Complete flow monitoring by September 30, 2019.

Develop policy options for Board consideration by December 31, 2020.

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.

The District Board established the following key objectives:

2A. Conduct study of sewer service charge and capacity charge methodologies for residential customers and development, and make recommendation for Board consideration

There are several components to be evaluated in the study.

For sewer service charges, the study should evaluate the basis for differentiation of residential customers (SFR, condos, apartments, ADUs, etc.), whether the rates should have a volumetric component (i.e., be partially based on water consumption), the methodology for revenue collection (property tax bill vs. direct invoicing), the Low Income Assistance Program, and look at affordability issues for low-income housing and seniors.

For capacity charges, the study should evaluate the methodology for assessing charges to residential development, policies regarding affordable housing projects, and Accessory Dwelling Units (ADUs).

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

Timeframe:

First deliverable will be a recommendation on changes to NapaSan's capacity charges for Accessory Dwelling Units. Select consultant and have under contract by September 30, 2017. Present scope of work and outreach plan to Board for approval by December 31, 2017. Approved scope of work will contain schedule and milestones for study. Work will begin in early 2018, with an anticipated completion by December 31, 2018.

2B. Evaluate long-term liabilities, including pension liability and OPEB liability, and develop policy options for Board consideration.

NapaSan has long-term liabilities associated with pensions and other postemployment benefits (OPEB). In 2010, NapaSan established an irrevocable trust to address OPEBs, which is now approximately 40% funded, and is on track to fund this liability within the next 13 years. For pension liabilities, NapaSan has not developed a long-term strategy other than to "pay-as-you-go" With CalPERS Staff will develop several strategies for Board consideration to address long-term liabilities.

Timeframe:

Present status of existing liabilities and strategy options to the Board for consideration by March 31, 2018, in anticipation of FY 2018/19 budget incorporation.

2C. Conduct comprehensive review of strategies for developing non-rate/non-fee based revenues, including land leases, and provide options.

NapaSan owns properties that are currently being leased and/or are available for non-district usage for revenue generation. Staff will review current and potential strategies for revenue generation from these properties, and develop a comprehensive strategy with the Board for these properties.

Timeframe:

Ongoing. Discussions with Lands Committee to explore options and evaluate proposals, 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. Reengage with winery industry to understand and evaluate options for mutually beneficial alternatives for managing winery waste

NapaSan staff will engage representatives of the winery industry to explore issues and opportunities regarding the technology, marketing and economics of alternatives for managing winery waste.

Timeframe:

Form a study/advisory group with wine industry representatives by December 31, 2017. Complete study of alternatives, market issues and finance/economic questions based on direction from study/advisory group and NapaSan Board, and present alternatives and recommendations to Board by December 31, 2018.

3B. Continue to evaluate opportunities for shared services

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 programs. Direction is to evaluate opportunities for NapaSan 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.

3C. Develop Business Continuity Plan as part of disaster mitigation

NapaSan should evaluate ways to increase the operational resiliency of the system, particularly in the treatment plant. Focus on continuity for specific potential events, such as building fire, flood and other events.

Timeframe:

Develop and plans for the development of a backup SCADA system for plant operations,

integrate NapaSan's operations into the City of Napa and Napa County's emergency operations systems, and implement radio-based communications capabilities that integrate into city/county systems. Begin work in May 2017 and complete by December 31, 2018.

3D. Evaluate and recommend ways to reduce energy and chemistry consumption in treatment process and collection system.

Chemistry and energy are the largest "consumables" in the operating budget, making up about 34% of the total Services and Supplies budget and 12% of the overall operating budget.

Timeframe:

This evaluation will be completed by NapaSan staff. Presentation of recommendations to the Board expected by March 31, 2018, in coordination with work identified in Objective 6D.

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; form associations to research and develop Best Practices, 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 goal expected to continue beyond the timeframe of this strategic plan.

4B. Conduct Employee Survey in Fall 2017

The last employee survey was in Fall 2014. Continue the pattern of surveying employees every three years 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:

Survey completed by October 31, 2017, with report on results presented to the Board by March 31, 2018.

4C. Explore a Total Compensation Study

The last total compensation study for NapaSan employees was conducted in 2004. In the past few years, three management-level employees have left NapaSan specifically for better pay with similar or better benefits. The study would benchmark NapaSan against other agencies that compete for employee talent, providing information for the Board to better determine salary policy.

Timeframe:

Prepare options for a scope of work and schedule for a total compensation study to be considered by the Board, by September 30, 2017.

4D. Prepare for and begin MOU Negotiations

The two labor MOUs and one management association agreement for NapaSan will expire on June 30, 2020. Specific direction will be provided by the Board in closed session.

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 will begin in Fall 2019, with new MOUs approved by June 30, 2020.

4E. 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. Similar to other Wastewater operations launch an internal mentoring program with resources provided to us by the consultant.

Timeframe:

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

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. Be proactive in communicating with the public, stakeholders and the press for all aspects of NapaSan's activities.

Continue to communicate NapaSan's education and organizational messages as identified in the 2016 Communications Plan. Anticipate issues the public may have a particular interest in knowing about or wanting to engage NapaSan about, and develop materials, messages and delivery mechanisms for connecting with the public and stakeholders. Coordinate communications as appropriate with City, County and other stakeholders.

Timeframe:

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

5B. Complete the deliverables identified in the 2016 Communications Plan to address NapaSan outreach and public information goals

This plan will also address methods to improve internal communications.

Timeframe:

The Communications Plan includes specific tasks and deadlines for completion for the current and next two fiscal years.

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. Implement capital projects in partnership with local agencies for the distribution of recycled water

Continue partnership with Napa County and NBWRA to complete construction of the MST Pipeline Expansion along Coombsville Road to Tulocay Cemetery.

Timeframe:

Complete construction of Coombsville expansion by December 31, 2017. Complete additional work, if financed by outside partners, by December 31, 2018.

6B. Participate with local partners on long-term opportunities for water reuse, with a long-term goal to achieve 50% reuse of average dry weather flow

Complete Phase II EIR/EIS study for recycled water projects as part of NBWRA.

Timeframe:

EIR/EIS Study to be completed by June 30, 2018.

6C. 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:

Information presented to the Board by June 30, 2018.

6D. Evaluate energy self-generation with the primary goal of decreasing overall energy costs, and recommend policy options for consideration.

Explore the expansion of the Cogen system, expand solar, or other ideas, as long as there is both immediate and long-term cost savings.

Timeframe:

Initial framework of alternatives will be provided to the Board for consideration by March 31, 2018.

6E. 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 can 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 management of the oxidation ponds. Staff will continue to emphasize salt water I & I projects, management practices, and pollution prevention efforts to reduce chlorides to acceptable levels.

Timeframe:

This is a continuous goal expected to continue beyond the timeframe of this strategic plan. Staff will report regularly on chloride testing results through weekly website updates during the irrigation season and periodic reports to the Board.

6F. Renew or Extend the recycled water agreement with City of Napa that permits NapaSan to sell recycled water within the City's water service area.

The existing 20-year agreement expires in August 2018. To continue to convert new customers to recycled water or to extend the recycled water service area within the City's water service boundaries, NapaSan and the City of Napa will need to renew or extend the agreement.

Timeframe:

Completed by December 31, 2017.