

Capacity Charges Report for Fiscal Year 2009/10

Purpose of the Report

This report is prepared to comply with California Government Code 66013, detailing the amount of capacity charges were received by the District 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. The Napa Sanitation District 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. In Fiscal Year 2009/10, the capacity charge was \$5,660 per Equivalent Dwelling Unit (EDU).

Reporting Requirements

The District 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, the District 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.

Activity for Current Reporting Period (FY 2009/10)

Beginning Balance (deficit) (\$12,883,774.67)

Revenue

Capacity Charges Collected	\$591,858.50
Interest	8,805.26
Other Associated Revenues	\$0.00
Total Revenue	\$600,663.76

Expenditures / Capital Projects

		<u>% of project allocated to Capacity Charges</u>	<u>Status as of 6/30/10</u>
2009-I&I Reduction Program	\$35,326.75	39.4%	Ongoing
2013-Lower Alphabet Street Sewer Impr.	281,631.26	39.4%	Ongoing
2014-East Spring Upper Lateral Program	5,318.68	39.4%	Ongoing
2016-I&I Reduction - Manhole Rehab. Study	8,810.38	39.4%	Complete
2017-Upper Alphabet Street/Stonecrest PL	96,605.38	39.4%	Ongoing
3001-WWTP Master Plan	1,279,215.96	100%	Ongoing
3002-RAS/Sec Line Interconnection	71,414.32	39.4%	Complete
3005-Energy Alternatives Study	44,585.01	39.4%	Ongoing
3007-RWQCB Mandated Programs	41,032.35	39.4%	Complete
3518-Caustic Application System	49,951.76	100%	Complete
4002-Bisulfite Channel Separation	84,409.00	39.4%	Complete
5005-Jameson Pump Station Rehab	2,828.00	100%	Ongoing
5501-North Bay Water Reuse Project	134,786.00	100%	Ongoing
5503-RW Pipeline Extension	48,642.31	100%	Ongoing
5505-RWSP Hydraulic Model Analyses	6,812.41	100%	Complete
Total Expansion Capital Expenditures	\$2,191,369.57		

Ending Balance (deficit) (\$14,474,480.48)

Budgeted Capacity Charge Expenses for Next Reporting Period (as of 9/1/2010)

<u>CIP# Name</u>	<u>FY 10/11</u>	<u>% Funded by Capacity Charges</u>	<u>% Funded by Other Revenue</u>	<u>Total Capacity Charges</u>	<u>Total Other Revenue</u>
2009-I&I Reduction Program	\$196,500	39.4%	60.6%	77,421	119,079
2013- Lower Alphabet Street Sewer Impr.	5,000	39.4%	60.6%	1,970	3,030
2014-East Spring Upper Lateral Program	154,271	39.4%	60.6%	60,783	93,488
2017-Upper Alphabet St. & Stonecrest	1,885,837	39.4%	60.6%	743,020	1,142,817
2019-Basin L - I&I Reduction Project	499,940	39.4%	60.6%	196,976	302,963
2020-Nipak Manhole Rehab - State Streets	95,700	39.4%	60.6%	37,706	57,994
3001-WWTP Master Plan	807,139	100.0%	0.0%	807,139	-
4009-River Diffuser Rehab	155,000	39.4%	60.6%	61,070	93,930
5503-Recycled Water Pipeline Extension	50,000	100%	0%	50,000	-
5506-NSH Pipeline	3,500,000	75.0%	25.0%	2,625,000	875,000
Total Capacity Charge Expenses	\$7,349,387			\$4,661,085	\$2,688,301

Additional information on capital expenditures can be found in the NSD Adopted Operating and Capital Budget at www.NapaSanitationDistrict.com.