

Capacity Charges Report for Fiscal Year 2011/12

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.

The Fiscal Year 2011/12 year started with the capacity charge at \$5,660 per Equivalent Dwelling Unit (EDU). On January 1, 2012, the fee increased to \$6,000 per 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 2009/10, that deficit grew by \$1,590,705.81 to \$14,474,480.48.

In FY 2010/11, that deficit grew by \$627,358.75 to \$15,101,839.23.

Activity for Current Reporting Period (FY 2011/12)

Beginning Balance (deficit) (\$15,101,839.23)

Revenue

Capacity Charges Collected	\$1,425,486.36
Interest	1,381.98
Other Associated Revenues*	1,903,549.16
Total Revenue	\$3,330,417.50

<u>Expenditures / Capital Projects</u>	<u>FY 11/12 Total Expended</u>	<u>% of project allocated to Cap Charges</u>	<u>Total Cap Charges</u>	<u>Status as of 6/30/12</u>
2009-I&I Reduction Program	\$42,358.88	39.4%	\$16,689.40	Ongoing
2019-Basin L I&I Reduction Phase 1	920,180.50	39.4%	362,551.12	Ongoing
2021-Basin L I&I Reduction Phase 2	39,626.78	39.4%	15,612.95	Ongoing
2022-Browns Valley Road and First Street	219,978.92	39.4%	86,671.69	Complete
3010-Recycled Water Expansion Phase 1*	601,830.36	39.4%	237,121.16	Ongoing
4012-IPS Expansion	331,250.31	39.4%	130,512.62	Ongoing
5005-Jameson Pump Station Rehabilitation	47,845.00	100%	47,845.00	Complete
5501-North Bay Water Reuse Project*	258,663.67	100%	258,663.67	Ongoing
5506-NSH Pipeline Construction*	2,874,167.33	100%	2,874,167.33	Ongoing
6003-Development Technical Support	178,609.47	100%	178,609.47	Ongoing
Total Expansion Capital Expenditures			\$4,208,444.41	

Ending Balance (deficit) (\$15,979,866.14)

Budgeted Capacity Charge Expenses for Next Reporting Period (as of 11/16/2012)

<u>CIP# (old#) - Name</u>	<u>FY 12/13</u>	<u>% Funded by Capacity Charges</u>	<u>% Funded by Other Revenue</u>	<u>Total Capacity Charges</u>	<u>Total Other Revenue</u>
13705 (2009) - I&I Reduction Program	\$162,000	39.4%	60.6%	63,828	98,172
13731 (2019) - Basin L – I&I Reduction Project 1	477,200	39.4%	60.6%	188,017	289,183
13706 (2021) - Basin L - I&I Reduction Project 2	1,210,400	39.4%	60.6%	476,898	733,502
13707 (N/A) - Basin L - I&I Reduction Project 3	337,200	39.4%	60.6%	132,857	204,343
13732 (2023) - Trancas Street Relining	200,000	39.4%	60.6%	78,800	121,200
13713 (3009) - Pond Aeration	819,800	100%	0.0%	819,800	-
13714 (3010) - Recycled Water Expansion Ph 1*	2,527,600	39.4%	60.6%	995,874	1,531,726
13724 (4012) - IPS Expansion	2,476,800	39.4%	60.6%	975,859	1,500,941
13727 (5501) - NBWRA Project*	390,000	100%	0%	390,000	-
13728 (5506) - NSH Pipeline*	280,800	100%	0%	280,800	-
13729 (6003) -Development Technical Support	202,000	100%	0%	202,000	-
Total Capacity Charge Expenses	\$9,083,800			\$4,604,733	\$4,479,067

* **Note:** Any grant revenue or reimbursements received for these projects will be recorded as “Other Associated Revenue” and credited against the capacity charges.

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