NAPA SANITATION DISTRICT

CAPACITY CHARGE METHODOLOGY AND
DEVELOPMENT FEE REVIEW

January 2015

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NAPA SANITATION DISTRICT

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1.0 INTRODUCTION

The Napa Sanitation District (NSD or the District) provides wastewater collection, treatment and disposal services to over 75,000 customers in the City of Napa and surrounding unincorporated Napa County areas. The District provides primary, secondary, and tertiary treatment.

NSD contracted with Carollo Engineers, Inc. to review and make recommendations regarding the implementation of District capacity and development fees. This report describes the NSD wastewater system, summarizes the current capacity charges and development fees at the time of this study (January 2015), identifies issues and challenges, and presents recommendations for implementation. It is important to note that the study does not evaluate or provide financial calculations regarding the fee amount, nor does it provide any recommendations regarding the amount of the capacity charge fee.

2.0 CAPACITY CHARGES

Capacity charges are governed by California Government Code § 66000. Specifically, a public agency may levy a fee in order to recover the costs of system capacity required to serve a new development that requires the construction or improvement of public facilities.

A capacity charge is designed to recover a fair and proportional share of the cost to provide capacity to serve future users and is imposed as a condition of service for new usage, increase in usage, or change in usage. NSD last reviewed and updated its capacity charge in 2010. The adopted capacity charge was based upon a hybrid method that recovers a proportionate share of the available capacity within the existing system and the cost to construct additional capacity to meet future developments. Conceptually, this methodology requires future users to buy into the value of the existing systems, which recognizes the fact the NSD system has some available capacity, but requires additional improvements to meet the needs of all future customers.

These fees are often referred to as “connection fees,” since they are levied on new developments wishing to connect to a public agency’s service system. The fees are subject to the following design considerations:

- The one-time charge is collected prior to issuance of a permit to connect to the District’s sewerage system.

- The charge is limited to a maximum allowable amount pursuant to California Government Code § 66000, which allows the District to recover a proportionate share of the cost to provide system capacity to serve new development.
- All revenues collected to construct additional capacity within the District system, may only be expended on future capacity related projects.
- The charge is not subject to provisions of California Proposition 218.

2.1 Current Charges

In the fall of 2010, the District Board of Directors adopted the current structure of the capacity charge and approved increases in the capacity charge from $5,660 to the current $8,723 per equivalent dwelling unit (EDU), which is based on the average discharge by a single-family residential customer. This is the minimum charge assessed of any customer. Chapter 5.02 of the Napa Sanitary District Code sets forth specific methods for determining the total capacity charge for each customer class. Table 1 reports recent increases in the capacity charge

Table 1. Capacity Charges from FY 2005-2006 through FY 2013-2014

Beginning Date	Ending Date	Capacity Charge
July 1, 2005	June 30, 2006	$5,660
July 1, 2006	June 30, 2007	$5,660
July 1, 2007	June 30, 2008	$5,660
July 1, 2008	June 30, 2009	$5,660
July 1, 2009	June 30, 2010	$5,660
July 1, 2010	June 30, 2011	$5,660
July 1, 2011	December 31, 2011	$5,660
January 1, 2012	June 30, 2012	$6,000
July 1, 2012	June 30, 2013	$7,000
July 1, 2013	June 30, 2014	$8,300
July 1, 2014	June 30, 2015	$8,723

2.2 Issues, Considerations, and Recommendations

The District has received a number of appeals from various customer classes since the current capacity charge was adopted in 2010. It is the goal of this report to consider and offer recommendations to respond to the following key issues:

- Restaurants
    - Discrepancies between the capacity charges paid and the system capacity used.

    - The affordability of capacity charges calculated for restaurants.
    - The transferability of paid capacity EDUs as restaurants relocate.

- Office Buildings
    - Confusion regarding the two allowable methods for calculating capacity charges for shell structures – per square footage and per commercial unit.

- Wineries/Industrial Customers
    - The difficulty of establishing one-time capacity charges for a customer class that experiences wide fluctuations in flow and loadings.
    - Setting minimum loading factors for customers who participate in the District's pretreatment program.
    - Finding efficiencies in District requirements to measure and report flows and loadings.
    - Flexibility in dealing with seasonal fluctuations in discharges when calculating capacity charges and exceedance fees.
    - The use of supplemental capacity charges to equitably match changes in system usage with the timing and calculation of capacity charges.
    - The use of historic data to modify the capacity charge requirements if that data illustrates a consistent usage pattern over time.
    - The need for affordable financing or loan options for paying capacity charges.
    - Establishing credits and/or preferred rates that recognize exemplary application and use of BMPs, consistent usage below levels used to calculate capacity charges, and considerations for increased loadings that result from effective water conservation efforts.
    - Establishing default (standard) discharge factors and values where a sampling program is not feasible.

- Car Washes
    - Lack of specific Code provisions that reflect current District method for calculating capacity charges.

- Transient Occupancy and Multi-Family Residential Developments
    - Address inconsistencies in the determination of per-unit EDUs for various transient lodging facilities and multi-family residential developments.
- Demolition and Moving Credits
    - Potential modifications of the District's two-year credit of capacity charges for properties undergoing demolition and redevelopment.
    - Revisiting the District's prohibition against the transfer of capacity charge credits when customers move from one property to another.
- Combined Capacity and Sewer Service Charges
    - Lack of specific Code provisions to authorize the imposition of combined capacity and sewer service charges (for waste haulers that must pay for both the operational cost to treat and the use of system capacity otherwise funded through capacity charges by ongoing users).
- Implementation Policy and Procedures
    - District staff will need to develop policies and procedures for applying new methodologies to existing spaces, such as the addition of plumbing to existing spaces or the transition of use from one type of space to another. Those policies should be consistent with the recommendations in this report, but should error on the side of the customer's benefit when applying new standards.

2.2.1 Restaurants

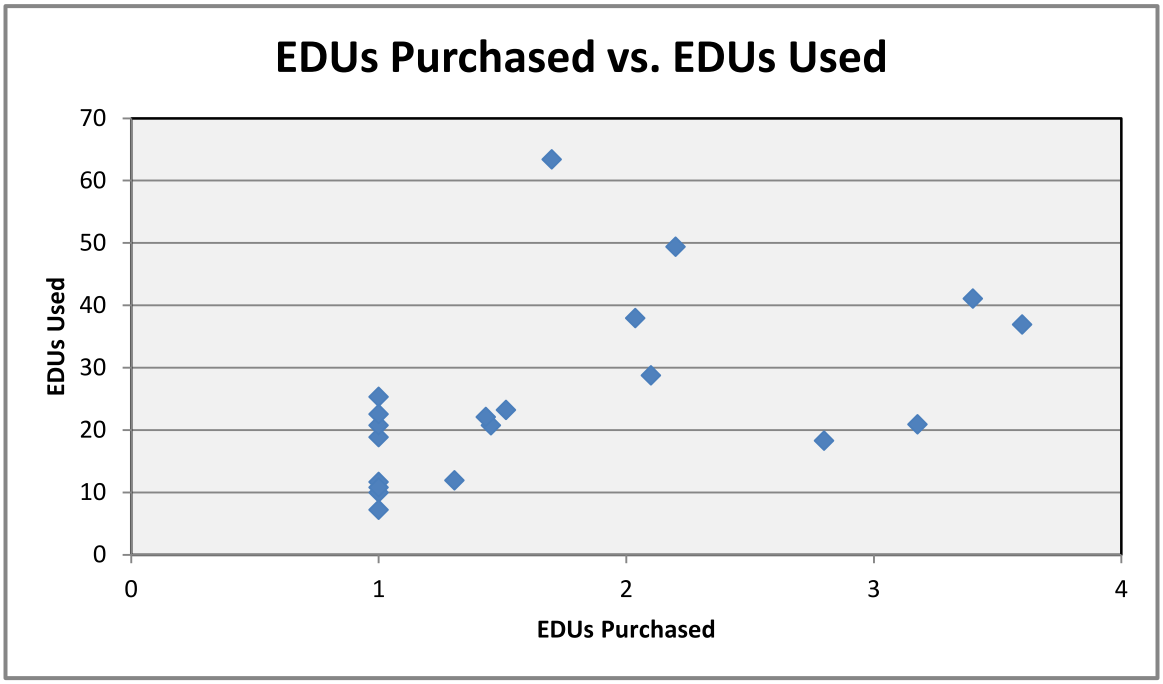
Currently, all restaurants are assessed a capacity charge based on the number of fixture units or one EDU, whichever is greater. Three specific issues have been identified regarding how capacity charges are calculated and applied to restaurants.

- Discrepancies between the capacity charges paid and the system capacity used.
- The affordability of capacity charges calculated for restaurants.
- The transferability of paid capacity EDUs as restaurants relocate.

Issue #1: There is not a strong relationship between the current capacity charge factors for restaurants and the amount of capacity used by the restaurant.

Description. Data collected by the District illustrates that the current methodology for calculating capacity charges from new restaurants wishing to connect the wastewater system does not fully recover actual costs of providing that system capacity through the capacity charges. The District has evaluated the water usage of several restaurants in its service area, comparing the usage against paid capacity charges, based on fixture units. In each case, the amount of capacity used by the restaurant once in operation was significantly greater than the capacity purchased. The purchased EDUs ranged from 1.0 to 3.6 units per restaurant, while the actual EDUs based on ongoing sewer discharges ranged from 7.2 to 63.4 units. The difference represents real capacity that has been used by the restaurants, and is therefore not available to other future customers.

Figure 1. Comparison of Purchased versus Used Capacity



Further analysis revealed that there is a stronger relationship between the square footage of restaurants and ongoing wastewater dischargers or EDUs. By using square footage of the restaurant to estimate potential sewer discharges, the District could more closely approximates the capacity that will be used by a new food service establishment.

It is important to note that the customer water data also revealed that restaurants exhibit a wide range of water demand patterns across the District's service area and even between similarly situated food establishments. This disparity, or range of sewer discharges, is consistent with what other wastewater agencies have observed, including the Sacramento Regional County Sanitation District, the Irvine Ranch Water District, and the City of Chula Vista. Consequently, while it is important to confirm that the connection fees equitably recover capital capacity charges from food service establishments, it is also important that restaurants that use low amounts of water relative to their square footage are not penalized.

Through detailed discussions with District staff, it is clear that the connection fees alone do not serve as the only mechanism for recovering capital expenditures from restaurants. Rather, the District's ongoing sewer rates fund a significant portion of the District's capital program. Approximately, half of the annual rate revenues are allocated directly to capital programs. Because the ongoing rates recover a significant portion of the capital expenditures and restaurants, as a customer class, tend to use water consistently throughout the year, it is reasonable to account for the ongoing capital contributions through rates, when establishing the restaurant EDU factors. Consequently, setting the capacity charges for food service establishments based on the water demands exhibited by the restaurants that use 25% of the class range rather than the median flows equitably and fairly balances contributions upfront through capacity charges and ongoing rates. Over time, restaurants with high water usage patterns will then contribute a higher share to the District capital improvement program through their ongoing rates, while lower flow restaurants will not over-contribute upfront through the capacity charge. It is important to note that this approach is appropriate for restaurants specifically because of the consistent wastewater discharges throughout the year, which results in level monthly rate revenues that will fund the District's capital program. For customer classes that tend to exhibit a high seasonal peak and low monthly usage, this approach would not equitably recover costs, because the same capital contribution from rates would not be achieved during a short seasonal peak.

As a result of this analysis, it is recommended that the District set the capacity charges for restaurants at 3.25 EDUs for the first 2,000 square feet and each 1,000 square feet thereafter, which accounts for both the flow and loadings of a restaurant with water consumption at 25% of the class average.

As noted above, one of the key considerations of this capacity charge review was to consider the affordability of the charges for restaurants due to any proposed adjustments. In further discussion with District staff, setting the charges based on the lowest class discharges was also considered. As such, the connection fee would be set at 3.25 EDUs for the first 2,000 square feet and 1.75 EDUs for each 1,000 square feet thereafter. This approach assumes that any capital contributions, above the minimum flow levels, would be contributed over time through rates. While this approach could be reasonable, the analysis necessary to substantiate the full capital contribution was achieved would need to be conducted as part of the District's next cost of service rate evaluation. As part of that in depth analysis, the District could more accurately determine if restaurants, as a class, are funding the full share of capital projects necessary to construct and maintain system capacity proportionate to the demands that the class places on the system.

Survey of other agencies. In surveying a representative sampling of other cities, counties and sanitation districts in California, one finds a number of methodologies are being used to calculate capacity charges. Charges are imposed based on square footage, number of seats, and number of fixture units. The charges also illustrate a differentiation between type of restaurants, such as a full service restaurant, a drive-through, or fast food restaurant in order to account for the wide-range of discharges across the customer class. While this approach recognizes that different types of restaurants will discharge different levels of sewage, it also creates an additional administrative burden and does not recognize the fluctuation in demands between similar type restaurants.

Options. The following options provide a range of actions to address the current inadequacies in the methods used by the District to calculate capacity charges for restaurants:

- Create a separate customer class for restaurants and establish a higher minimum capacity charge that approximates the average number of EDUs used based on a survey of existing restaurants.
- Create a separate customer class for restaurants and calculate capacity charges based on a pre-determined number of EDUs per 1,000 square feet of floor area, and then add an appropriate loading factor to the calculation.
- Leave the current calculation in place with the condition that the capacity charge will be subject to revision at the end of the second year of restaurant operations, and will be recalculated based on the actual performance of the restaurant during the initial two-year operating period.

Recommendation. Carollo finds a reasonable nexus between the square footage of a restaurant and its actual EDU demand on system capacity. As a result, a capacity charge calculation based on the total square footage of a restaurant yields a more equitable charge when compared to the current methodology and other optional methods described above. Carollo's analysis of sample restaurants in the District's service area supports a capacity charge based on 3.25 for the first 2,000 square feet. Carollo recommends Option A, charging 3.25 EDU per each additional 1,000 square feet, or portion thereof, over the base amount. This capacity charge structure accounts for the quantity of water discharged into the sewer system and is premised on a strength factor of 2.7, consistent with sewer service charges and the state's revenue guidelines. As a cost of service rate study is performed and can substantiate that capital contributions through rates sufficiently recover the full and proportionate share of costs from food service establishments, the District could consider Option B, which would charge 3.25 EDUs for the first 2,000 square feet and 1.75 EDUs for each 1,000 square feet thereafter.

Table 2. Recommended Capacity Charges for Restaurants

Square Feet	Option A EDU Charged (recommended)	Option B EDU Charged
Up to 2,000	3.25	3.25
2,001 – 3,000	6.50	5.00
3,001 – 4,000	9.75	6.75
4,001 – 5,000	13.00	8.50
5,001 – 6,000	16.25	10.25
6,001 – 7,000	19.50	12.00
7,001 – 8,000	22.75	13.75
8,001 – 9,000	26.00	15.50
9,001 – 10,000	29.25	17.25
10,001 +	32.50	19.00

The capacity charge is applied to all future developments and redevelopments. In the case of redevelopments, including expansions and major renovations, Carollo recommends that the District establish administrative rules and procedures for the re-calculation of EDUs, both paid and owed, based on the new calculation method.

Impact. Table 3 provides examples of the recommended calculation of EDUs for hypothetically restaurants of varied size, and compares the recommended calculation to EDUs based on actual water usage, and the current calculation of EDUs.

Table 3. EDU Calculations for Sample Restaurants

	1,000 Sq. Ft. Restaurant	4,000 Sq. Ft Restaurant	5,500 Sq. Ft Restaurant
3-year average water usage (gallons)	282,000	640,000	1,166,000
Actual EDU Used	9.9	22.5	41.1
EDU Purchased based on Fixture Units (current method)	1.0	1.0	3.4
EDU based on Sq. Ft. (Option A - recommended)	3.25	9.75	16.25
EDU based on Sq. Ft. (Option B)	3.25	6.75	10.25

Issue #2: The capacity charge can be a prohibitive burden for new restaurants.

Description. The capacity charge for new or upsized restaurants can be financially burdensome, and, in select cases, may discourage desired economic growth. It is in the best long-term interests of the District to provide ways for customers to manage the financial burden imposed by capacity charges, while ensuring equity across customer classes and adequate resources to cover the costs of providing system capacity. The District affirms the following principles when considering solutions to this issue:

- The capacity charge should reflect the true impact on the system.
- The charge should not discourage growth, but still recover costs.
- The charge structure should balance flexibility to customer with administrative burden to the District.

Survey of Other Agencies. It is a common practice for wastewater agencies to offer some form of financing or installment payment plans to manage the cost of capacity charges. Table 4 presents the findings of a survey of four prominent municipal utilities in California. Payment plans are generally limited to a short time period (2-6 years), and in some cases are only provided to customers with large capacity charges.

Table 4. Sample Payment Plans for Wastewater System Capacity Charges

Agency	Payment Plan Description
Orange County Sanitation District	Allows payment within 5 years with a 5% annual interest rate.
Sacramento Regional County Sanitation District	Allows large projects to apply for a two-year payment plan.
Los Angeles County Sanitation District	Allows monthly installments of less than 6 years.
Delta Diablo Sanitation District	Allows payments over 3 years if charge is greater than $50,000.

Options. Based on the survey and through discussion with District staff and the District Board, Carollo identified the following options for helping restaurant customers manage the cost of capacity charges:

- Pay for capacity in installments over time (3 years).
- Lease, rather than sell, system capacity to restaurant customers by amortizing the charge over 20 years, and adding the “lease charge” to the customer’s sewer bill.

Recommendation. The first option would allow a short-term installment plan to reduce start-up costs, but would impose some administrative costs on the District. The second option rolls the capacity charge into the utility bill for sewer service, allowing the restaurant customer to budget lease payments as a cost of doing business. As with the installment payment option, a lease would create some administrative costs.

With these considerations in mind, Carollo recommends adoption of a capacity charge consisting of a minimum of one (1) EDU paid in full prior to issuance of the building permit, and any remaining EDUs paid through installment payments for a period not to exceed three years, with a minimum annual payment equal to one (1) EDU. These payments should bear interest. Based on the District's own cost of borrowing and as a means of creating a reasonable interest rate that changes over time with bond market conditions, Carollo recommends that the interest rate be set commensurate to the Bond Buyer 20-Bond GO Index or an equivalent metric.[1]

While the leasing option was evaluated, it is not recommended. Consistent with other commercial customers and unlike some large industrial customer classes, the capacity requirements for restaurants will remain stable over time. It is therefore appropriate to apply a consistent methodology as with other customer classes.

Example. Table 5 compares the current and recommended methods of calculating and collecting capacity charges for restaurants. The analysis is based on FY 2014-15 adopted rates for commercial properties. EDUs are calculated using the recommended method based on total square footage. The capacity charge annual installment payment would be collected on property assessments.

Table 5. Examples of Current and Recommended Charges for Restaurants.

	1,000 Sq. Ft. Restaurant	4,000 Sq. Ft Restaurant	5,500 Sq. Ft Restaurant
3-year average annual water usage (gallons)	282,000	640,000	1,166,000
EDU based on total square feet (Option A - recommended)	3.25	9.75	16.25
Charges based on FY 2014-15 Rates			
Current Method Payment in Full prior to Connection	$28,350	$85,049	$141,749
Recommended Method			
Minimum Charge prior to Connection	$8,723	$8,723	$8,723
Annual Installment Payment[2]	$7,013	$27,275	$47,536

[1] Index is compiled based on general obligation bonds maturing in 20 years are used in compiling this index. It has an average rating equivalent to Moody's Aa1 and S&P's AA-plus. The interest rate was 3.56% as of December 31, 2014.
[2] At annual 4.53% interest rate, for three years.

Issue #3: Should capacity charge credits for a restaurant be allowed to move to a new building?

Description. District policy dictates that EDUs are assigned to a physical property not the property owner or tenant. As a result, the District does not allow restaurants to transfer EDUs from one property to another when the business enterprise relocates. Under current District policy and practice, such a restaurant would be subject to purchase additional EDUs if their demands on system capacity exceed the currently paid EDUs associated with the new location.

Survey of Other Agencies. A recent survey of sanitary districts and municipal utilities found that the NSD's current policy is in common practice in California. The survey identified only two of 11 agencies that permitted the transfer of EDUs from one property location to another. Table 6 lists the surveyed agencies and their current policy on this matter.

Table 6. EDU Transfer Policy for Restaurants

	Permits Transfer of EDUs	
Agency or City	Yes	No
City of American Canyon		X
City of Healdsburg		X
City of St. Helena		X
Las Gallinas Sanitation District		X
Fairfield-Suisun Sanitation District		X
Novato Sanitation District		X
Union Sanitary District		X
East Bay Municipal Utility District		X
Los Angeles County	X	
Delta Diablo Sanitation District	X	
City of San Jose		X

Recommendation. The District's current policy and practice are intended to minimize internal administrative costs, avoid customer confusion, and optimize equity among customer classes. Any change that allows a customer to transfer paid EDUs from one property to another introduces significant administrative costs of tracking and accounting EDUs and ensuring that the District recovers all appropriate charges for system capacity. Additionally, based on discussions with the staff and the Board, restaurant owners are not requesting the ability to transfer the capacity right to other properties. Rather, restaurants are often operated in leased building space.

Based on discussions with District staff and the Board, as well as a survey of nearby agencies, Carollo recommends that the District maintain its current policy and practice of assigning EDUs to physical property, and continue to disallow the transfer of paid EDUs when restaurants relocate. In order to avoid confusion or misunderstanding, the District should update its Code to explicitly state this policy.

Stakeholder Outreach

In June 2014, District staff held a stakeholder outreach forum. Current restaurant owners, prospective restaurateurs and realtor/brokers attended the forum. After hearing a presentation from staff outlining the possible policy options, the following comments were recorded:

- The attendees favor the implementation of a payment plan for large capacity charges
- Both proposed ideas (payment plans for capacity and "leasing" capacity) should be offered – the longer to pay the better. The best method may depend on how the lease is structured.
- Nothing in the proposed ideas deters anyone's plans to start restaurants.
- One participant inquired whether there was a practical way to meter actual sewage output; with no way to meter output they feel there is no incentive for the restaurant to be efficient with their water usage. (Staff explained that sewer service charges were based on water usage, therefore the incentive existed to reduce. Additionally, the cost of the water itself is an incentive to conserve.)
- Restaurants are being started in places that were not formerly restaurants, so how tenant improvements are charged under the new methodology is important.
- One attendee noted that there is increased interest in the community to start restaurants.
- Some building owners want to pay no costs towards improving the property, so it is necessary to make the fees palatable for restaurant owners to pay.

Carollo believes that the recommendations provided have addressed and will meet the issues brought up in the stakeholder forum, while equitably recovering system capacity costs.

2.2.2 Office Buildings

Currently, applicants for shell structures have the option of paying capacity charges either per commercial unit or per square foot. The developer must chose the calculation method at the time the building permit is issued, and cannot change the method once the permit is issued. The square footage basis results in the upfront payment of capacity charges prior to the issuance of the building permit. By contrast, the per commercial unit method results in "pay-as-you-go" payments as each commercial unit is occupied.

Issue: Should the District continue to offer two methods of calculating capacity charges for shell office developments?

Description. While popular with office building developers and owners, tenants are frequently confused about the imposition of the capacity charge at the time they occupy the office unit, particularly when no additional plumbing fixtures are added as a consequence of their occupancy. Tenants assume that capacity charges were paid by the developer or owner prior to the issuance of building permits, and appeal to the District for relief. These appeals place undue pressure on the District Board and increase risks to the District's financial condition.

Survey of Other Agencies. Table 6 presents the findings of a recent survey of sanitary districts and municipal utilities regarding the methods used to calculate capacity charges for commercial developments. The results clearly show a preference for methods that produce capacity charges based on development-specific calculations of system demand.

Table 7. Methods for Calculating Capacity Charges for Commercial Developments

Agency or City	Capacity Charge Calculations			
	Area	Tenant Unit	Fixture Unit	Based on Flow and Loadings
Napa Sanitation District	x	x	x	
City of American Canyon				x
City of St. Helena	x			
Las Gallinas Sanitation District			x	x
Fairfield-Suisun Sanitation District				x
Novato Sanitation District			x	
Union Sanitary District				x
East Bay Municipal Utility District				x
Sonoma Valley County Sanitation District				x
Sacramento Regional County Sanitation District	x			
Delta Diablo Sanitation District				x
San Jose	x			

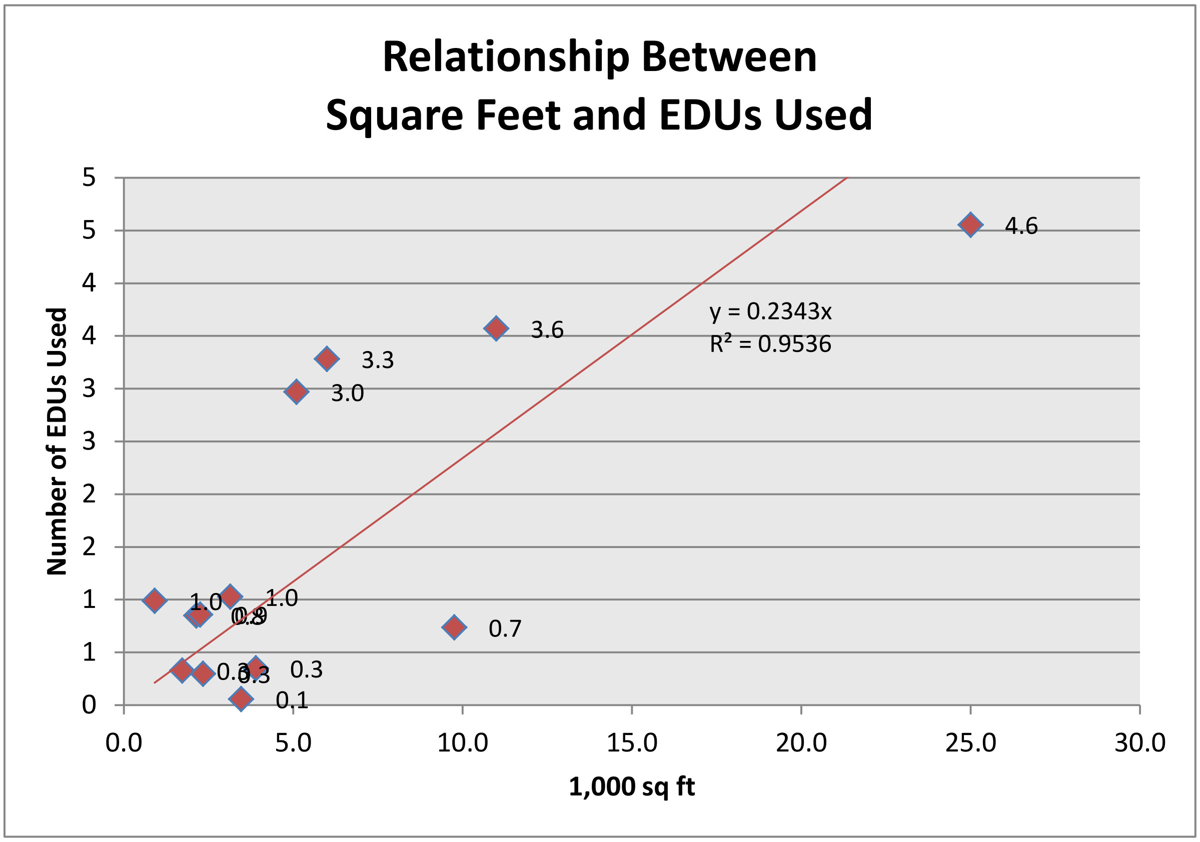
Recommendations. The District has expressed a clear set of principles to guide the calculation and imposition of capacity charges on commercial developments. These include:

- The capacity charge should reflect the impact on the system. There should be a clear nexus between the system impacts and the calculation of capacity charges.
- The metric for assessing the capacity charge should reasonably reflect the impact on the system.
- The capacity charge structure should limit the number of appeals by customers, and promote consistent application by the District.

The appeals result from confusion regarding the two available methods of collecting capacity charges – prior to development or prior to occupancy of each commercial unit. Both existing methods capture the nexus between system demand and calculation of the capacity charge; however, the commercial unit methodology resulted in appeals by tenants of commercial developments, as they are required to purchase additional capacity when subdividing an office space.

Carollo has confirmed a direct relationship between square footage of office space, water use and the number of EDUs used to compute capacity charges. Figure 3 illustrates the findings of a survey of office buildings in the City of Napa. Based on the survey, roughly 1/4 of an EDU of system capacity is used per 1,000 sq ft. of office space. For every 4,000 sq ft of office space, the customer would need to purchase one EDU of capacity, with an additional 0.25 EDU for every 1,000 square feet thereafter.

Figure 3. Survey of Existing Office Buildings in the City of Napa



These findings are consistent with a study conducted by CH_2M Hill for the District in 1998. In that study, the capacity used in office space was calculated to be 0.22 EDU per 1,000 square feet.

Based on the survey results and aforementioned concerns regarding tenant confusion and appeals, Carollo recommends that the District calculate capacity charges for office buildings on the square footage method, and collect the resulting charges prior to issuing building permits. For existing facilities, a capacity charge will be imposed if there is a change in use from the existing commercial classification, which requires additional capacity be purchased. The property should be required to pay the incremental cost above the existing purchased capacity.

Capacity charges for commercial facilities differ based on the types of commercial facilities. Different uses have different anticipated water usage and strength factors per square foot, and as such should have different rates per 1,000 square feet. Carollo recommends that the District should use the table in Appendix C to calculate capacity charges for various commercial uses, which is based on the findings related to capacity usage for restaurants and office spaces, and adjusted based on the State Revenue Guidelines.

Finally, the District should update its Code to reflect this change and remove the option of calculating capacity charges based on commercial unit and collected prior to occupancy of the unit.

Commercial Building Stakeholder Outreach

In May 2014, District staff held a stakeholder outreach forum. Current building owners and realtor/brokers attended the forum. After hearing a presentation from staff outlining the possible policy options, there were two comments/concerns brought up by the group:

- Proposal to use a square foot basis for capacity charges is good, but existing buildings should be left under current process and not reassessed.
- What happens where there are tenant improvements within the square footage charge system?

The first concern is already addressed in existing policy. The District does not reassess commercial buildings for capacity charges when the methodology changes. The recommended methodology will only affect new buildings or buildings where there is a significant change in the use.

To address the second concern, in the case of redevelopments or tenant improvements including expansions and major renovations, Carollo recommends that the District establish administrative rules and procedures for the re-calculation of EDUs, both paid and owed, based on the new calculation method. Those rules should be consistent with the recommendations in this report, and should error on the side of the customer's benefit when applying new standards.

2.2.3 Wineries

The District's industrial customer base is comprised almost exclusively of wineries. In many cases, some of the established wineries have increased operations over the years and are currently discharging flows well in excess of the capacity limits purchased at the time of initial connection. In addition to the base of established wineries, the District serves newer and growing operations. Whether established or new, wineries occasionally change operations and/or move facilities in order to expand business.

Under the current capacity charge structure, when an existing winery increases system discharges, an incremental capacity charge is imposed to recover the value of newly reserved system capacity. This incremental charge reconciles the difference between the initial charge levied at the time the winery connected to the system, based on estimated flow and loadings at that time, and the current discharges to the system. If a winery were to move operations to a new location, the capacity reservation would stay with the current location and a new capacity charge would be imposed at the new location if one has not yet been paid.

Issue: Should the District establish a separate method for calculating and imposing capacity charges for wineries that takes into consideration their unique location, system demand, flow, and loading characteristics?

Description: The District's standard method of calculating capacity charges for industrial customers is based on their assumed Flow, BOD, and TSS into the system, compared to the flow and loadings of a single family dwelling (1 EDU). Each component of the calculation is given a relative weight corresponding to allocated shares of total costs. Flow, BOD, and TSS are assigned 50%, 25%, 25% of costs, respectively. This standard method produces high upfront capacity charges for wineries. In addition, the ever-changing nature of winery operations calls for a system of capacity charges that is more flexible and responsive than the standard method of collecting an upfront, one-time-only charge based on peak demand that is non-transferrable from one property to another. That said, any modification to the standard industrial formula for capacity charges will require close consideration of potential impacts to District planning and operations, administration, and financial integrity. In addition, any modifications will need to ensure that the charges paid by wineries reflect true impacts on system capacity.

Survey of Other Agencies. A recent survey of sanitary agencies focused on the Orange County Sanitary District (OCSD) and its development of a supplemental capacity charge. OCSD faced a set of challenges similar to those facing NSD, and adopted a cost recovery methodology that allows customers to lease rather than purchase system capacity in response to fluctuating operating conditions.

Options. Carollo identified an alternative structure to the current system to address the unique demand characteristics and diversity of operating conditions of wineries served by the District:

- Create a program that allows wineries to lease system capacity as needed.

Recommendations. Carollo recommends that the District create a program to lease capacity to wineries based on peak annual discharges. This lease of capacity could be offered to all wineries. The District could set a minimum number of EDUs required in order to lessen the administrative burden of tracking the lease of capacity. Based on discussions with District staff and Board, it would be reasonable to impose a minimum capacity charge based on estimated domestic flow. The remaining capacity could then be paid for through the leasing program. Currently, the District assumes an industrial strength factor of 11.25 absent a sampling program.

The implementation of this prorated charge could resolve a number of existing issues. Not only would it reduce the upfront burden of the charge, but also being able to lease capacity would reduce the need for exceedance fees. The recommended system is more responsive and equitably recovers the cost to provide system capacity to this unique industrial customer class. Additionally, if capacity used in the past is no longer needed in the future, the District retains the capacity, which can then be sold or leased to other future customers.

The initial capacity charge was collected at the time of winery permit application. It was based on the estimated flow and loading of the industrial process on the site. However, since the costs that the capacity charge is meant to pay for are incurred and accounted for based on the actual flow and strength of the wastewater treated, there should be an adjustment to reconcile the difference between the initial charge levied at the time the winery customer connected to the system based on estimated flow and loadings and the current discharges to the system.

A lease program would allow the District to equitably recover the cost of capacity related capital investments, while allowing wineries, as a unique customer class, to pay for capacity over time as needed, rather than paying all costs upfront or at the time of operational changes.

The lease would be calculated annually based upon peak system discharge during the course of the previous year. Wastewater strength would be based on the sampling program or on a strength factor of 11.25, depending on the facility and the details of its industrial user permit. As an existing winery has paid an initial capacity charge, the lease would only be applied to usage above the reserved capacity. This lease program would then replace the District's existing Exceedance Fees.

Absent the lease program, each winery would apply to NSD based on the incremental flow and strength of the wastewater that they will discharge into the system above their initial capacity purchase. For the wine industry, which has a high flow and/or strength discharge into the system, a one-time fee could result in a significant cost impact. In addition, wineries' flows and strengths can vary considerably from year to year and seasonally, especially as winery operations change. The lease allows the customer to pay for the capacity they require and to do it on a yearly basis. This approach not only reduces the large upfront cash outlay that would be necessary for a one-time capacity charge, but recognizes the non-static nature of this particular industry's operations.

Finally, as part of this review the option to allow wineries to move capacity from one location to another was evaluated. Carollo believes that allowing capacity to be moved is not consistent with how the capacity charge is imposed on other customer classes.

Additionally, moving of capacity could unintentionally create a secondary market for selling or trading system capacity, which would be difficult to administer for the District.

Calculation of a Lease Program. The lease is derived from the District's capacity charge. The capacity charge complies with Government Code §66013 and represents a fair and proportional cost to reserve system capacity within the District's wastewater system.

Issue: It is appropriate to pay the charge base on the current capacity charge at the time of the payment at a rate of one-240th per month, which equates to a 20-year lease?[1]

The District's current industrial capacity charge is $8,723 per discharge unit. Based on the proposed formula and current capacity charge, a winery that participates in the lease program would be required to pay $436 per year per discharge unit, or $36.35 per month per unit. This lease rate would be subject to the current capacity charge rate at the time the lease is paid in order to keep in alignment with charges imposed on other customers and reflect the value of the District's system.

The capacity lease would be calculated based on the amount of capacity used in the prior year that is greater than the reserved capacity for that industrial user. For users that have flow meters and samplers, this would be the highest measured daily peak or monthly average capacity usage for the year. For users that have a set strength factor, this would be based on the calculation of annual water usage and strength factor compared to reserved capacity. The capacity used in excess of reserved capacity for the prior year is multiplied by the current capacity charge, then divided by 240 to become the monthly capacity charge lease monthly payment for the next year.

Carollo's review and analysis of capacity charges for wineries and industrial customers revealed a number of specific issues with components of the industrial wastewater program. The following section provides a summary of findings and recommendations for each program component.

2.2.3.1 Pretreatment

The District permits Industrial users to pre-treat their effluent prior to discharge to the sanitary sewer system, in order to receive a monetary benefit from the reduced loadings. In some cases, this brings the assumed strength factor to less than that of a single-family dwelling (1.0). Carollo evaluated the impact of applying a strength factor less than 1.0 and whether or not this is appropriate for the NSD. The District's regional permit requires removal of 85% of all impurities. Consequently, very low strength waste can create an incremental cost to remove 85% of very low strength discharges.[3] Considering the ordinance and permit restrictions, Carollo recommends that the District maintain a minimum loadings factor of 1.0.

[1] The District recovers depreciation through its monthly service charges.
[3] Napa Sanitation District Code Section 4.04.110(G) (1)

2.2.3.2 Monitored Flow and Loads

Currently, the District samples the flow and loads of industrial customers on a weekly basis. Carollo recommends that after at least three years of monitoring, if consistency is shown in the data, that the customer no longer need to be sampled on a weekly basis, save for peak months to ensure the customer is staying within capacity limits. This will reduce some of the customer costs and administrative burden of weekly sampling.

The District might also wish to consider creation of a program for small businesses with low flows to encourage the implementation of BMPs as prescribed by the District. Under such a program, the District would eliminate the need for monthly sampling, assign an average strength factor based on the customer class and impose a flat monthly service charge.

2.2.3.3 Seasonal Discharges

Currently, industrial customers are assessed a capacity charge based on assumed peak discharges, with an allowance to exceed this by a factor of 1.5 on any given week, so long as the customer remains below their capacity rights by monthly average. Carollo recommends this structure be retained.

District staff identified the following recommended changes to existing District policies and practices to deal with customer issues regarding capacity charges and seasonal discharges:

- The District charges Exceedance Fees when single discharge events exceed permit standards. Customers frequently complain that the fee is less a reimbursement for additional services, and more a punitive fine or penalty. Current District policies allow no more than three (3) exceedances in 5 years; a standard that does not provide enough of flexibility for customers. The leasing option, described above, may serve as a favorable alternative to the Exceedance Fee policies and practices. The leasing option may be used to allow wineries to lease any excess or unused system capacity.

- Consider offering a loan program, where capacity charges that are purchased by the industrial user are paid over 2-5 years, Such a program would need to set interest rates below bank financing rates to attract participation, be consistent with the interest rates recommended for restaurants earlier in this report, and require customers to adopt and maintain BMPs and adhere to permitted discharge standards.

<u>Industrial User (Winery) Stakeholder Outreach</u>

In May 2014, District staff held a stakeholder outreach forum. Winery representatives, building owners and realtor/brokers attended the forum. After hearing a presentation from staff outlining the possible policy options, there were significant comments/concerns brought up by the group, as well as some comments provided after the forum. The following summarizes those comments:

Summary of Comments about Challenges with Current System

- It is understood that the Exceedance Fee is like renting the capacity for a single discharge event, but the amount is high and feels more like a fine or penalty than a fee.
- The "no more than 3 times in 5 years" Exceedance Fee rule doesn't provide enough of a cushion. More allowances would be preferred.
- District should charge based on "common business practice" rather than on an uncommon mistake or one-time exceedance of capacity.
- There is no credit given for when a business uses less capacity than it has purchased. For example, if a facility has 20 EDU and uses only 8 EDU for 11 months and one month uses 40 EDU, there should be some credit for the months that were under the 20 EDU limit.

Comments and thoughts about possible changes to the current system:

- Would like a program where small business with low flows can implement BMPs and pay a flat monthly fee or an assumed strength factor to eliminate the monthly sampling. Setting an average strength factor and paying fees based on that may cost less than the monthly sampling fees.
- Consider in-house sampling for BOD and TSS instead of sending out to Caltest.
- Better run industrial facilities that adhere to BMPs should get better rates.
- District should consider accepting hauled winery waste, but only if it is cheaper than hauling to EBMUD.
- A "loan" program, where capacity charges are paid over 2-5 years, would be acceptable as long as the rates were below bank financing rates. Large and small facilities would be interested in a loan program.
- The "lease" option is viewed favorably as an alternative to the Exceedance Fee policies, especially if it would be less than the "penalty" of the exceedance fee and could eliminate the "no more than 3 in 5 years" limitation.
- Desire to have the capacity charges based on ***average*** usage, rather than peak usage.
- Question: if a user who has purchased capacity installs a pretreatment system, can capacity that is no longer needed be sold back to the District?

Comments received after the meeting:

- In areas where water is scarce and facilities are doing a good job conserving water, this can result in the strength of the wastewater being stronger/more concentrated. This impacts the sampling and increases the fees to NSD. Under this scenario, it is more cost effective to hold-and-haul than it is to discharge to NSD.

- Establishing an “average” winery would be very complex. Process water quantities and qualities vary greatly based on whether it includes barrel work, bottling, crushing, etc. It also varies greatly with the varietal being produced.
- The amounts paid under the exceedance fee policy was deemed a “lease” of excess capacity rather than a fine, but because the size of the fee, it was in essence a penalty. Only allowing 3 exceedances within 60 months is problematic.
- NSD currently has some excess capacity. While in overcapacity, allow wineries to “lease” this excess at a reasonable rate. This would increase NSD revenues and fund added future capacity.

Carollo has evaluated the comments and believes that the recommendations in this report would address the concerns raised by the stakeholders at the outreach forum.

2.2.4 Additional Capacity Charge Considerations and Recommendations

The District’s review of capacity charges uncovered issues with the following customer categories:

2.2.4.1 Car Washes

Currently, car washes are assessed a capacity charge based on estimated water usage, and strength and evaporation factors. The applicant pays for capacity at the time of permit based on the applicant’s estimate of water use (using a formula of strength and evaporation factors). The permit requires the installation of a secondary water meter that measures car wash flow. District staff reads the meter annually. If the car wash is using more capacity than they paid for, then the District requires the operator/property owner to purchase additional capacity. Carollo recommends that the District maintain current practice, without change, and codify its use by updating the District Code.

2.2.4.2 Transient Lodging Facilities

The District uses different EDU factors to calculate capacity charges for a variety of transient lodging facilities, such as hotels, bed & breakfast establishments, and RV spaces. Hotels are charged roughly 75% of an EDU per room, while bed & breakfasts are charged 50% of an EDU per room.

While the District’s current methodology is reasonable and consistent with generally-accepted utility practices, the District may consider charging all transient occupancy establishments using the same EDU factor. Establishing a uniform methodology will reduce administrative burden, be easier to communicate to customers, and account for instantaneous capacity needs that can reasonably be expected and experienced by lodging facilities within the District’s service area. Full occupancy during peak travel periods is common. The capacity requirements recovered through the capacity charges are different from the sewer service fees, which do account fluctuations in occupancy due to seasonal and weekday travel patterns.

Capacity charges are designed to recover costs based on peak capacity requirements based on the specific use type. As a result, Carollo recommends the following:

- Hotel and bed and breakfast establishment should be charge the same capacity charge rate for rooms without kitchen units, which is 75% of an EDU per room based on the District's code. Rooms with kitchen units should be charge a full EDU, including owner's unit at bed and breakfast establishments.

- Common areas, meeting rooms, and restaurants should pay capacity charges based on square footage.

- Based on discussion with District staff, onsite laundry areas should be accounted for as part of the per room capacity charge and should not be subject to additional capacity charge calculation.

2.2.4.3 Multi-Family Residential Properties

Similar to transient lodging facilities, the District uses different EDU factors for different types of multi-family housing (MFR). Capacity Charges for senior housing developments are based on 60% of an EDU per unit, while multi-family housing is charged based on one full EDU per unit. It is common throughout the industry to charge less than one EDU per unit for multi-family residences as the people per household for multi-family units tend to be lower than for single-family units; however, the factors vary widely. A survey of sanitary districts and municipal utilities found EDU factors for multi-family residential developments that range from 60 to 90% of an EDU. The District can choose to reduce the charge per MFR unit, based on a closer analysis of system discharges. However, such an analysis should include an evaluation of the impacts of any change in methodology on the District finances. This is particularly important given that MFR properties make up a large component of system demand.

2.2.4.4 Demolition and Moving Credits

A recent appeal to the NSD Board of Directors called into question the District's current policy of limiting to two years credits of capacity charges for demolition permits. In addition, customers have made informal requests to waive the District's policy of prohibiting the transfer of paid EDUs from one property to another.

The District established these policies to efficiently and effectively recover the costs of providing sewer capacity to meet customer demands. They are intended to minimize the administrative costs of tracking paid sewer capacity (EDUs), ensure the fair and equitable assignment of capacity charges to customers, and do so in a manner that is easy for customers to understand. These administrative goals are most effectively achieved by tracking paid capacity charges by property as opposed to customer, and to limit the "shelf life" of capacity credits to a brief window of time set by a development permit. To do otherwise would introduce substantial costs of staff time, and investments in information system modifications and operations. In addition, such a change would interject the District into the financial and legal relationships between property owners and tenants or lessees.

For these reasons, the District's capacity credits are non-transferrable. A survey of sanitary districts and municipal utilities found the District's current policies are consistent with the practices of other agencies in California. Additionally, the District limits capacity charge credits to two years from the granting of a demolition permit.

Carollo recommends that the District maintain its existing policy of prohibiting the transfer of capacity charge credits from one property to another. With respect to demolitions, Carollo recommends that careful consideration be given to the following staff proposal based on a recent appeal decision by the NSD Board:

> When a demolition permit is issued, sewer service charges are suspended until a new structure is built. On a recent appeal to the Board on the two-year credit on the demolition of a residential structure, the Board ruled that the property owner could pay for the missed sewer service charges to avoid expiration of the capacity charge. Staff recommends adding an option for all demolition permits that allows the application to choose: 1) expiration of the capacity charge credit 2 years from the issuance of the demolition permit; if a building permit is not obtained within 2 years, the capacity charge credit will expire; during the period between issuance of the demolition permit and issuance of a building permit, no sewer service charges will be assessed; or 2) no expiration on capacity charge if the applicant agrees to continue to pay sewer service charges after issuance of the demolition permit; acknowledging that NSD would be assessing sewer service charges to the parcel during periods of no sewer flow from the parcel.

Any changes to the District's policy should be codified within the District Code.

2.2.4.5 Combined Capacity and Sewer Service Charges

The District has a practice for determining charges paid for miscellaneous services by assessing both a capacity charge element and a sewer service charge element as appropriate. For example, waste haulers are subject to a sewer service fee for discharging into the District system, as well as a fee to compensate the District for use of system capacity. Waste haulers are not permanent users of the system and therefore have not paid a capacity charge to reserve system capacity. Carollo recommends that the District update the District Code to specifically incorporate this process. Additionally, the District should modify this methodology, as needed, to be consistent with any new policies and procedures regarding the leasing of capacity charges.

3.0 DEVELOPMENT FEES

The District currently offers a number of development services. The District recovers the costs of these services by collecting development fees, which are intended to recover a direct cost for services provided. The District's development fees were last updated in 1989. Many of the fees do not adequately recover the actual cost of services, some fees are authorized for services that are no longer provided, and others have been revised or modified without a corresponding update to the District Code.

3.1 Options for Development Fee Calculation

Carollo and District staff have reviewed the District's development-related services and activities, and identified two alternative methods to adequately, equitably and efficiently recover the costs of these services.

> Option A: Establish a fee structure based on "typical" activity.
>
> Option B: Calculate development fees based on actual time and expenses incurred by District staff, and secured by an initial deposit.

Option A calls for the adoption of a fee structure comprised of fixed charges for typical development services, based on the average cost of providing each service. The resulting schedule makes it easy for customers to estimate and anticipate the costs of District services. Because all customers would be subject to the same fee schedule, those customers with simple development issues will pay more in fixed services charges than would otherwise be calculated on an hourly basis. The inverse would be the case for customers with complex development projects.

Option B charges the customer for development services based on the actual time and resources expended by the District. The financial risks are borne almost entirely by the customer. Customers with complex projects will pay more than customers with simple projects. The District will have to implement an accounting procedure to accurately track the time expenses incurred by the District for each development project. While there is a direct relationship between the services provided and the final calculation of development fees, customers may be more inclined to challenge their final bill if there final fees are substantial more than their initial deposit.

Regardless of the ultimate structure, the District's development fees will need to increase from their current 1989 levels to more fairly and equitably charge customers for the provision of District services.

3.2 Recommended Development Fees

Carollo, in consultation with District staff, recommends the adoption of an updated development fee structure that more accurately and effectively recovers the true costs of providing District services. The recommended structure combines the "typical" fee for service method set forth in Option A, with the direct billing of specific services set forth in Option B for complex, time-consuming projects. The new structure calculates fees based on an adopted list of services, while providing the ability of the District to add a surcharge for complex and time-consuming projects, based on specific time and expenses incurred by the District. At the time of the initial plan check, District staff will determine whether the plan check qualifies as a typical structure that would then be subject to the flat plan check fee. Each fee payment would allow up to two plan submittals, after which an additional charge would be imposed for additional submittals. For more complex or larger projects, the District's General Manager may elect to charge plan checks on an hourly basis as follows:

$$\text{Total fee} = \text{Time to Complete x hourly rate (salary + benefits)}$$

Table 8 illustrates a sample calculation of a development fee based on the recommended methodology. The resulting charges are based on real estimates of time required for each service along with the hourly cost based on salary and benefits of the employee completing the service. In preparing this schedule of fees, the District estimated the number of hours spent for each of these services in a manner that was conservatively low in order to mitigate the cost of the services provided. When a range of time was estimated, the District selected the low end of that range. If a specific service requires additional time, the District should assess an additional surcharge to recover the cost of the service.

Table 8 Example Fee Calculation for Agreement Fees
Capacity Charge and Development Fee Review
Napa Sanitation District

Existing Service	Time to Complete Service (hrs)	X	Cost of Service Rate	=	Unit Cost
Direct Labor	2		$59.29		$118.58
Benefits	2		$41.03		$82.06
Full Labor Cost	**2 hrs.**		**$100.32**		**$ 200.64**
Direct Cost	Legal Review (0.25 hrs.)		**$400.00**		**$100.00**
Total Cost					**$ 300.64**

Table 9 presents a revised schedule of development fees based on current District services. Where appropriate new fees have been added to recover the costs of new services, and out-dated fees have been removed for services that are no-longer provided.

Table 9 Development Fee Schedule
Capacity Charge and Development Fee Review
Napa Sanitation District

Development Fee	Specific Fee	Recommended Charge
Plan Check Fees (This includes two submittals for plan check. If additional submittals are required for approval, then fee is assessed again, and an additional two submittals are allowed.)	Residential Subdivision	**$ 402.00 plus $ 101.00 per lot**
	Residential Lots without Mains	**$ 101.00**
	Apartment Buildings	**$ 803.00**
	Hotel Buildings	**$ 1,204.00**
	Commercial Buildings	**$ 402.00**
	Tenant Improvements-Food Service	**$ 301.00**
	Tenant Improvements-Non-Food Service	**$ 201.00**
	Mainline Extension (not part of subdivision)	**$ 101.00 per 100 linear feet**
	Public Easement (not included in Recorded Map)	**$ 101.00**
Inspection Fees (This fee includes 1 inspection and 1 re-inspection. If additional inspections are required, then additional fees may be imposed)	Public Lateral - Residential	**$ 179.00**
	Private Lateral - Residential	**$ 179.00**
	Public/Private Lateral – Commercial	**$ 357.00**
	Mainline	**$ 357.00**
Demolition Fee	Interior Demo Only (fixtures within building)	**$ 190.00**
	Public and Private Lateral (w or w/o internal) - Ex Lateral Failed Inspection	**$ 438.00**
	Private Lateral (w or w/o internal) - Ex Lateral Passed Inspection	**$ 264.00**
Alteration of Existing Sewer Installation		**$ -**
Annexation Charges		**$ 1,204.00**
Agreement Fee	Standard Agreements	**$ 301.00**
	Non-Standard Agreements	**$ 1,202.00**

Appendix A shows the calculations and assumptions made for each of the development fees shown in Table 9.

The District has authority to bill customers for actual time and expenses incurred for providing development services, which protects existing ratepayers from otherwise funding these services through ongoing sewer service charges. When the costs of providing development services exceeds the estimates based on the published fee schedule, the District charge should reasonably recover the cost of this added service. As noted above, the fee calculations have been developed using conservative time assumptions. While it is envisioned that the proposed fees will be used to charge customers, it is essential to the long-term financial condition of the District that fee revenue fully compensate the District for cost of the services provided.

3.3 Annual Cost Adjustment

To avoid the problem of fees not keeping current with actual costs over time, Carollo and District staff recommend that development fees be increased annually based on the same percentage increase used for sewer service charge increases.

3.4 Private Lateral Inspection Fee

The Board considered whether it was in the public's interest to promote the replacement of private laterals. In support of that public interest, the Board could choose to waive the private lateral inspection fee in cases when a permit is issued prior to the work being completed, and only charge the fee upon failure to obtain a permit.

3.5 District Code Improvements

District Code 5.04 et. seq. outlines the development fees charged by the District. However, there are inadequate descriptions in the Code section to explain the services provided. The District Code should define the services provided and specify the number of plan checks, inspections, etc. that were used as the basis to calculate the updated development fees. The proposed updated District Code 5.04 et. seq. is included in Appendix B of this report.

Appendix A

DETAILED DEVELOPMENT FEE CALCULATIONS

ORDINANCE NO. ____

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE NAPA SANITATION DISTRICT, AMENDING DISTRICT CODE, TITLE 5, RELATING TO DEVELOPMENT FEES

WHEREAS, the District has not increased most development fees since 1989; and

WHEREAS, the existing District Code does not provide sufficient information regarding the application and calculation of development fees; and

WHEREAS, the existing District Code does not authorize specific remedies or actions to be taken by the District when work is performed without required permitting or inspections; and

WHEREAS, the District has conducted an analysis of development fee calculations and has found that the fee charged to District customers do not reflect the fair and proportional costs of District services; and

WHEREAS, the District's current development fees are not fully sufficient to collect costs associated with the development, negotiation, review and execution of development-related agreements, including improvement agreements, indemnification agreements, deferred improvement agreements, private main agreements, and easements; and

WHEREAS, the lack of a comprehensive and up-to-date development fee structure imposes burdens on District ratepayers that should be borne, fairly and equitably, by customers who require and benefit from these District services; and

WHEREAS, the District engaged Carollo Engineering to conduct an independent analysis of District capacity charges and development fees, including a survey of similar local agencies in California, and discussions with District customers and stakeholders; and

WHEREAS, the proposed restructuring of development fees are based on a clear nexus between the proposed fees and the services associated with the fees, are proportional to the costs of providing District services, and are easier to administer and understand by customers than existing development fees;

WHEREAS, the proposed restructuring of development fees is consistent with the District's Master Plan and § 66000 of the California Government Code;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE NAPA SANITATION DISTRICT:

SECTION 1. Subsection 5.04 – Development Fees of District Code is hereby amended as follows:

5.04 Development Fees

5.04.010 Plan Check Fees

The District shall charge a plan check fee to recover the costs of engineering, legal and administrative services provide to evaluate building or development actions that may add, alter or extend a connection to any component of District infrastructure. The following fee schedule establishes a plan check charge for each type of development action. The District Manager is authorized to establish administrative rules and procedures for collecting additional plan check fees as need to recover the full costs of engineering, legal, and administrative services.

Development Type	Plan Check Fee	Description
Residential Subdivision Subdivision Review Residential Lot Review	 $402.00 per subdivision $101.00 per lot	The plan check fee is based on 4 hours of staff review per subdivision, plus 1 hour of review per residential lot.
Residential Lot with Mains	$101.00 per lot	The plan check fee is based on 1 hour of review per residential lot.
Apartment Building	$803.00 per building	The plan check fee is based on 8 hours of review per apartment building.
Hotel Building	$1,204 per building	The plan check fee is based on 12 hours of review per hotel building.
Commercial Building	$402 per building	The plan check fee is based on 4 hours of review per commercial building.
Tenant Improvements – Food Service	$301.00 per tenant unit	The plan check fee is based on 3 hours of review per apartment building.
Tenant Improvements – Non-Food Service	$201.00 per tenant unit	The plan check fee is based on 2 hours of review per apartment building.
Mainline Extensions – not part of a subdivision	$101.00 per 100 linear feet of mainline extension, or portion thereof	This plan check fee is based on 1 hour of review per 100 linear feet of mainline extension.
Public Easement – not included in recorded map	$101.00 per 100 linear feet of public easement, or portion thereof	This plan check fee is based on 1 hour of review per 100 linear feet of mainline extension.

5.04.020 Inspection Fees

The District shall charge an inspection fee to recover the costs of engineering, legal and administrative services associated with the inspection of building or development actions that add, alter or extend a connection to any component of District infrastructure. The following fee schedule establishes a inspection fee for each type of development action. The District Manager is authorized to establish administrative rules and procedures for collecting additional inspection fees as need to recover the full costs of engineering, legal and administrative services.

Development Type	Inspection Fee	Description
Public Lateral - Residential	$179.00 per lateral	The inspection fee is based on 2 hours of staff services per inspection.
Private Lateral - Residential	$179.00 per lateral	The inspection fee is based on 2 hours of staff services per inspection.
Public/Private Lateral - Commercial	$357.00 per lateral	The inspection fee is based on 4 hours of staff services per inspection.
Mainline	$357.00 per 100 linear feet of mainline, or portion thereof	The inspection fee is based on 4 hours of staff inspection services per 100 linear feet of mainline.

5.04.040 Demolition Fee

The District shall charge a demolition fee to recover the costs of engineering, legal and administrative services associated with the review, permitting and inspection of demolitions that may add, alter or extend a connection to any component of District infrastructure. The following fee schedule establishes a fee for each type of demolition. The District Manager is authorized to establish administrative rules and procedures for collecting additional demolition fees as need to recover the full costs of engineering, legal, and administrative services.

Development Type	Demolition Fee	Description
Interior Demolition Only – fixtures within building	$190.00 per demolition	The demolition fee is based on 2 hours of staff services per demolition.
Public and Private Lateral – with or without internal fixtures - External Lateral Failed Inspection	$438.00 per demolition	The demolition fee is based on 5 hours of staff services per demolition.
Private Lateral - with or without internal fixtures - External Lateral Passed Inspection	$264.00 per demolition	The inspection fee is based on 3 hours of staff services per demolition.

5.04.060 Annexation Charges

The District shall collect a minimum annexation charge prior to the commencement of proceedings by the Board on the proposed annexation. The following fee schedule sets forth the minimum charge. The District Manager is authorized to establish administrative rules and procedures for collecting additional annexation charges as needed to recover the full costs of engineering, legal and administrative services.

Development Type	Annexation Charge	Description
Annexation Request	$1,204.00 per request	The annexation charge is based on 12 hours of staff services per annexation request.

5.04.070 Agreement Fees

The District shall charge an agreement fee to recover the costs of engineering, legal and administrative services associated with the research, drafting, negotiation, review and execution of development-related agreements, including improvement agreements, indemnification agreements, deferred improvement agreements, private main agreements, and easements that may add, alter or extend a connection to any component of District infrastructure, or impact District operations, physical assets or financial condition. The following fee schedule establishes a fee for each type of agreement. The District Manager is authorized to establish administrative rules and procedures for collecting additional agreement fees as need to recover the full costs of engineering, legal and administrative services.

Development Type	Agreement Fee	Description
Agreement Request – Simple Agreement	$301.00 per request	The agreement fee is based on 2 hours of engineering staff services plus 15 minutes of legal services.
Agreement Request – Complex Agreement	$1,202.00 per request	The agreement fee is based on 4 hours of engineering staff services plus 2 hours of legal services.

SECTION 2.

1. Severability. If any provision of the ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance, including the application of such part or provision to other persons or circumstances shall not be affected thereby and shall continue in full force and effect. To this end, provisions of this ordinance are severable.

2. Within 15 days of adoption, this Ordinance shall be published in the Napa Valley Register, pursuant to California Health and Safety Code Sec. 4766 and California Government Code Section 25124.

3. Following a first reading of the title of this ordinance, which occurred at the regular meeting of the District Board, held on ___________________, the foregoing ordinance was duly:

* * * * * * * *

PASSED AND ENACTED at a regular meeting of the Board of Directors of Napa Sanitation District duly held on the _______ day of _____________, 20_____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

____

Jill Techel, Chair

Napa Sanitation District

ATTEST:

____

Cheryl Schuh, Secretary

Napa Sanitation District

Appendix C

TABLE OF EDU PER SQUARE FOOT FOR COMMERICAL USERS

EDU for Commercial Users

Type of User	EDU/ 1,000 SF	EDU/ Other Calculation
Bakery	1.90	
Bar, Tavern, Cocktail Lounge	1.00	
Barber	0.20	
Beauty Salon	0.28	
Bed & Breakfast Facilities		0.75/guest unit
Bed & Breakfast Facilities		1.0/manager's unit
Bowling Alley	0.70	
Car Wash		estimated water usage
Church	0.31	
Convenience Store	0.75	
Day Care Facility	0.80	
Drug Store	0.26	
Dry Cleaners (no laundry)	0.25	
Funeral Home/Mortuary	2.00	
Garage (vehicle repair)	0.60	
Grocery w/ disposal	0.76	
Grocery w/o disposal	0.49	
Gym, Health Club	1.00	
Hall, Lodge, Meeting Rooms	0.47	
Hospital	7.00	
Hotel/Motel w/ Kitchen		1.0/unit
Hotel/Motel w/o Kitchen		0.75/unit
Laundromat	3.00	
Laundry, Commercial	4.00	
Manufacturing		case-by-case (may be industrial user)
Medical/Dental Office	0.80	
Nightclub w/ Dance Floor	0.70	
Office, Bank	0.22	
Pet Grooming Shop	0.30	
Pool Hall	0.60	
Prison, Jail	1.60	
Restaurants, catering, food prep/service		per table in report
Restroom building (rest stops, etc)	5.00	
Retail stores (w/o dining)	0.22	
RV Park or Campground		0.75/unit
Schools (public and private)	0.50	
Service Station w/o Food Sales	0.90	
Service Station w/ Food Sales	1.00	
Theater	0.52	
Veterinarian Hospital/Clinic	0.50	
Warehouse/Storage Facilities	0.05	

Mixed use facilities are charged as a composite of the charge for the square footage of each use. For example, Warehouse/storage facility fees are charges as a composite of the charge for the square footage of office space (0.22 EDU/1,000 SF) and the charge of the square footage of warehouse/storage space (0.05 EDU/1,000 SF).

Appendix D

BOARD MEETING
POWERPOINT PRESENTATIONS