

RESOLUTION R2011 128

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NAPA, STATE OF CALIFORNIA, ADOPTING WATER RATES FOR SINGLE-FAMILY RESIDENTIAL, MULTI-FAMILY RESIDENTIAL, COMMERCIAL, AND IRRIGATION CUSTOMERS BOTH INSIDE AND OUTSIDE CITY, FIRE SERVICE CHARGES AND PUMPED ZONE SURCHARGES

WHEREAS, Napa Municipal Code Section 13.04.020 and 13.04.030 specify that inside and outside city water rates be set by resolution; and

WHEREAS, Black and Veatch completed a water cost of service rate analysis for single family residential, multi-family residential, commercial, and irrigation customers both inside and outside city, fire service charges and pumped zone surcharges as part of the Water Cost of Service Rate Analysis Study (Black and Veatch, August 2011) that has been on file in the office of the City Clerk and available for public review upon request; and

WHEREAS, staff prepared an Infrastructure Master Plan to determine and prioritize capital improvements for the water system; and

WHEREAS, the Master Plan recommended projects totaling over \$4,000,000 annually for the next five years and additional investments for large compliance driven projects; and

WHEREAS, staff determined that a minimum annual investment of \$3,000,000 towards capital improvements is necessary to maintain a reliable water system, replace aging infrastructure and install improvements to meet new regulations; and

WHEREAS, the Cost of Service Rate Analysis performed by Black and Veatch includes a minimum investment in infrastructure of \$3,000,000 annually for the next five years to be funded by rate based revenue and connection fees from development; and

WHEREAS, in July 2006, the California Supreme Court in Bighorn-Desert View Water Agency v. Verjil (S127535, July 24, 2006) determined that water rates are subject to the provisions of California Constitution Article XIID (Proposition 218); and

WHEREAS, on July 19, 2011, City Council participated in a Workshop regarding water rate recommendations based on the Cost of Service Water Rate Analysis; and

WHEREAS, on August 2, 2011, City Council directed staff to mail a Special Notice of Water Rate Adjustment and Public Hearing regarding water rates to all property owners and water customers who are not property owners (tenants) attached hereto as Exhibit "A", and incorporated herein by reference; and

WHEREAS, 26,660 Special Notices of Public Hearing regarding water rates were mailed on August 5, 2011, at least 45-days prior to the scheduled public hearing; and

WHEREAS, a majority protest pursuant to the provisions of California Constitution Article XIII D (Proposition 218) was not received during the 45-day public comment period or at the public hearing; and

WHEREAS, based on the 2011 Water Cost of Service Rate Analysis by Black and Veatch and Staff's analysis, the proposed water rates are necessary for the following reasons:

- 1. To address the problem that costs to operate and maintain the water system have increased faster than the consumer price index in recent years and continue to increase.**
- 2. To provide adequate funding for capital improvement projects to renew and replace aging infrastructure.**
- 3. To fund the existing debt service requirements for the 2007 Water Bonds that funded the successful completion of the Edward Barwick Jamieson Canyon Water Treatment Plant Improvements and other capital improvements that allow the City to maximize use of existing State water, save local supplies in Lake Hennessey, and reduce long-term operating costs.**
- 4. To continue the long standing commitment to provide a reliable water system for the community; and**

WHEREAS, on September 20, 2011, the City Council held a duly noticed public hearing on the water rates identified in this resolution, and the Council considered all information related to this matter as presented at the hearing, including a consideration of all protests against the proposed water rates.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Napa, as follows:

- 1. The City Council hereby determines that this action is exempt from CEQA pursuant to Section 15273 of the Guidelines, which exempts the establishment, modification, restructuring, or approval of rates, tolls, fares, or other charges by public agencies for the purpose of meeting operating expenses and obtaining funds for capital projects necessary to maintain service within existing service areas based on the findings in Exhibit "B".**

2. The City Council hereby finds that in accordance with the Water Cost of Service Rate Analysis Study. The single family residential, multi-family residential, commercial, and irrigation customers both inside and outside city, fire services, and pumped zone surcharges meet the substantive applicable provisions as set forth in the California Constitution, Article XIII D, section 6(b) as follows:

- A. The revenues derived from the rates do not exceed the cost of providing service to single family residential, multi-family residential, commercial, and irrigation customers inside the city, outside the city, in pumped zones, or the customer of the system as a whole.
- B. None of the revenues derived from rates are used for any other purpose other than meeting the costs of providing water service.
- C. The revenues derived from rates are used for services actually used by, or immediately available to, the owner of the property responsible for the payment of the rate.
- D. The amount recovered via the rates from any person or parcel does not exceed the proportional cost of the service provided.
- E. No rate is assessed any person or parcel unless that person or parcel is receiving water service; and

3. The City Council hereby adopts the water rates for single family residential, multi-family residential, commercial, and irrigation customers both inside and outside city, fire service charges and pumped zone surcharges for all water service provided after October 1, 2011, October 1, 2012, October 1, 2013, October 1, 2014 and October 1, 2015, respectively. Details of the amended water rates for each year are as specified in Exhibit "A".

4. The City Council hereby defines the customer classes of single family residential, multi-family residential, commercial, and irrigation customers both inside and outside city, fire services and pumped zone as it pertains to water rates as defined in Exhibit "C".

5. The City Council hereby amends the Master Fee Schedule, as identified in Policy Resolution No. 16 by incorporating the rates listed in Exhibit "A".

6. The City Council hereby directs staff to present a capital improvement budget that identifies an average investment of at least \$3,000,000 annually in capital improvements for the next five years (Fiscal Year 2012 to Fiscal Year 2016).

7. The City Council hereby finds that the facts set forth in the recitals to this resolution are true and correct, and establish the factual basis for the City Council's adoption of this resolution.

8. This Resolution shall take effect immediately upon its adoption.

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Napa at a public meeting of said City Council held on the 20th day of September, 2011, by the following vote:

AYES: Inman, Mott, Krider, van Gorder, Techel

NOES: None

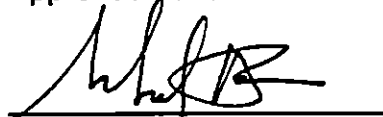
ABSENT: None

ABSTAIN: None

ATTEST:


Dorothy Roberts
City Clerk

Approved as to form:



Michael W. Barrett
City Attorney

EXHIBIT A



SPECIAL NOTICE

CITY OF NAPA WATER RATE INFORMATION

AUGUST 2011

WATER RATES SCHEDULED FOR INCREASE TO INVEST IN INFRASTRUCTURE

WHAT'S INSIDE:

Page 2

What are Your Water Rates Used For?

Page 3

How do Your Rates Compare with Other Cities?

Page 4

How Can Conservation Reduce Your Bill?

Proposed rate changes for various water customer classes are detailed at right and on Page 3 of this Notice.

A **Public Hearing** on adopting the proposed water rates will be held at City Hall, 955 School Street, on September 20, 2011, at 6:30 p.m. Any interested person may submit comments to the City Council regarding the proposed water rates by either submitting verbal or written comments at the hearing, or by providing written comments prior to the hearing. Per the California State Constitution, if written protests representing a majority of the parcels subject to the proposed water rates are received prior to the close of the public hearing, the City may not implement the proposed water rates. A maximum of one protest per parcel will be counted. Written protests of the proposed rates may be filed at the hearing or prior to the hearing. Any written protest mailed to the City must include your name and water service address, and it must be filed with the **City Clerk, PO Box 660, Napa, CA 94559.**

R2011 128

Single-Family Residential: Inside City (unit = 1,000 gallons)						
Rate Category	Current	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15
Bimonthly Service Charge (0-3 units included)	No service charge	\$13.25	\$14.31	\$15.45	\$16.07	\$16.72
Quantity Charge 4-20 units (\$/unit)	\$4.09 per unit	\$4.42	\$4.77	\$5.16	\$5.36	\$5.58
Quantity Charge 21-40 units (\$/unit)		\$4.58	\$4.95	\$5.34	\$5.56	\$5.78
Quantity Charge 41-75 units (\$/unit)		\$5.80	\$6.26	\$6.77	\$7.04	\$7.32
Quantity Charge 76+ units (\$/unit)		\$7.70	\$8.32	\$8.98	\$9.34	\$9.71

Single-Family Residential: Outside City (unit = 1,000 gallons)						
Rate Category	Current	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15
Bimonthly Service Charge (0-3 units included)	No service charge	\$19.21	\$20.75	\$22.40	\$23.30	\$24.24
Quantity Charge 4-20 units (\$/unit)	\$5.78 per unit	\$6.41	\$6.92	\$7.48	\$7.77	\$8.09
Quantity Charge 21-40 units (\$/unit)		\$6.64	\$7.17	\$7.75	\$8.06	\$8.38
Quantity Charge 41-75 units (\$/unit)		\$8.41	\$9.08	\$9.81	\$10.20	\$10.61
Quantity Charge 76+ units (\$/unit)		\$11.17	\$12.06	\$13.02	\$13.54	\$14.09

Multi-Family Residential Customers (unit = 1,000 gallons)						
Rate Category	Current	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15
Inside City Quantity Charge (\$/unit)	\$4.09	\$4.42	\$4.77	\$5.16	\$5.36	\$5.58
Outside City Quantity Charge (\$/unit)	\$5.78	\$6.41	\$6.92	\$7.48	\$7.77	\$8.09

Commercial Customers (unit = 1,000 gallons)						
Rate Category	Current	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15
Inside City Quantity Charge (\$/unit)	\$4.09	\$4.50	\$4.86	\$5.25	\$5.46	\$5.68
Outside City Quantity Charge (\$/unit)	\$5.78	\$6.52	\$7.05	\$7.61	\$7.91	\$8.23

Irrigation Customers (unit = 1,000 gallons)						
Rate Category	Current	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15
Inside City Quantity Charge (\$/unit)	\$4.09	\$4.64	\$5.01	\$5.41	\$5.63	\$5.86
Outside City Quantity Charge (\$/unit)	\$5.78	\$6.72	\$7.27	\$7.85	\$8.16	\$8.49

Elevation Surcharge for Pumped Zone Customers (unit = 1,000 gallons)						
Rate Category	Current	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15
Quantity Charge (\$/unit)	\$0.42	\$0.82	\$0.99	\$1.15	\$1.24	\$1.34

NOTICE OF PUBLIC HEARING

Public Hearing on Water Rates

September 20, 2011 @ 6:30 pm, City Hall, 955 School Street

Page 1 of 4

Printed on 100% Post-Consumer Recycled Paper

WHAT ARE WATER RATES USED FOR?

The City of Napa has performed a **cost of service water rate analysis** that reveals the need for 8% annual increases for the next three years followed by 4% increases each of the following two years. While system operating costs have been streamlined, additional revenue is needed to fund much-needed **capital improvements** such as replacement of aging pipelines. The water system does not receive any **general fund or taxes** for its operation, and **water rates account for well over 90% of revenues**. Other sources of revenue include fees on new development and return on investments. What are all those revenues used for? **They ensure the reliability of your drinking water system "From Source to Tap":**

Source

- Maintain 5,000 acres in 2 watersheds
- Reservoir algae control
- Dam debris removal
- Road and culvert repair
- Sludge handling and disposal
- State Water Project contract
- Future supply planning



Treatment

- Operate up to 3 treatment plants 24/7, including the state-of-the-art Edward I. Barwick Jamieson Canyon Water Treatment Plant
- Maintain 3 treatment plants
- Calibrate instruments
- Monitor tank levels
- Reporting regulatory compliance



Transmission



- Maintain 9 pump stations
- Maintain 14 storage and pressure tanks
- Maintain 14 regulator stations, 1 flow control station
- Repair/replacement of large transmission mains

Distribution



- Repair 340 miles of pressurized pipeline
- Repair 25,000 service lines
- Repair hydrants and valves
- Main installation
- Hydrant flushing
- 6,000 meter reads every 2 weeks
- Service calls, leak repairs
- Meter replacement program

Tap

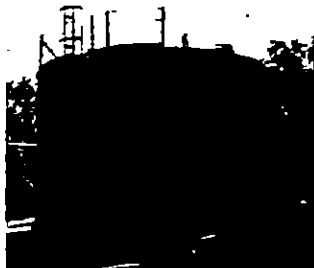


- Meet all State and Federal health standards
- Optimize taste, odor, and appearance
- Regulatory compliance sampling
- Customer service
- Water conservation education and rebates
- Administrative and Engineering support "From Source to Tap"

Proposed rates will increase annual capital investment in the distribution system from \$1 million to \$3 million, reducing long-term emergency maintenance costs.

Completed Capital Improvements:

- Added 14 million gallons of storage in 15 years (\$13 mil)
- Edward Barwick Jamieson Canyon Water Treatment Plant
 - \$38 million investment will serve customers for 40+ yrs
 - Treatment capacity increased to 20 million gallons/day
 - Addition of Ozone treatment improves quality and taste



R2011 128

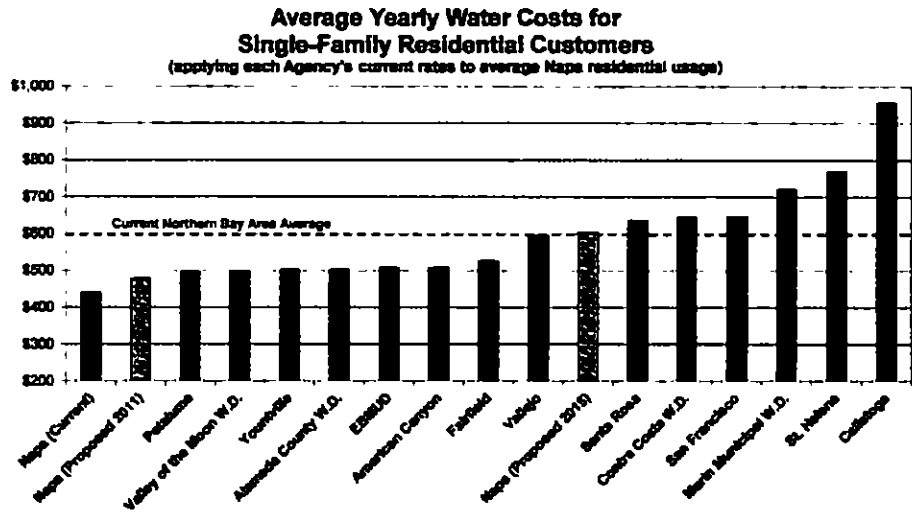
Planned Capital Investments:

- Distribution system improvements to meet new regulations (\$1.7 million)
- Install Cathodic Protection to prevent pipe corrosion (\$300,000)
- Replace 20+ year old meters and install automated reading devices (\$400,000)
- Replace 50+ year old valves and hydrants (\$500,000)



NAPA RATES TO REMAIN AMONG LOWEST

Napa's current residential rates are the lowest among a surveyed group of water agencies in the northern Bay Area. It is the only current rate structure with no fixed service charge and one of the very few with no tiered quantity charges. The proposed October 2011 change will keep Napa the lowest-cost provider, and even if the proposed October 2015 rates were implemented *now*, Napa would still remain right around the *current* northern Bay Area average. The City works very hard to control costs and make prudent decisions to maintain water rates below the area average.



Visit www.cityofnapa.org/water for:
Water Rate FAQs, Cost of Service Analysis,
On-Line Calculator to see how changes affect your bill

**With 10/1/11 Changes,
Average Single-Family
Water Costs will go up**

- \$1.48 per month in Winter
- \$5.01 per month in Summer

What are the Proposed Changes?

SINGLE-FAMILY RESIDENTIAL customers make up more than 85% of the City's water accounts. Their average bimonthly usage is 9,000 gallons during the winter, 27,000 gallons during summer. Rates will change from the current uniform quantity charge to a fixed service charge with tiered quantity charges for the first time since 1996. The fixed bimonthly charge includes the first 3,000 gallons used. It covers the cost of system availability, meter reading, billing, and ongoing services that are provided regardless of the quantity of water consumed. The highest tiers are designed to encourage conservation and reduce discretionary use during the peak summer demand period.

MULTI-FAMILY RESIDENTIAL, COMMERCIAL, and IRRIGATION customers will retain the existing uniform quantity charge, but with increases of 8-13%, 8%, 8%, 4%, and 4% over the next five years.

PUMPED ZONE customers in Napa's higher elevation areas currently pay a surcharge of \$0.42 per 1,000 gallons. To meet the actual energy costs and pump station operation, maintenance, and capital replacement costs shared among this customer class, the elevation surcharge will initially increase to \$0.82 per 1,000 gallons, rising to \$1.34 by 2015.

INTERRUPTIBLE-SURPLUS AGRICULTURAL AGREEMENTS for frost protection and irrigation outside the City limits will now be charged the Outside City quantity charge for all on-season or off-season use.

FIRE SERVICES are charged according to the size of the meter available and are a major factor in the overall size of the water system infrastructure. The cost of service water rate analysis has revealed that significant adjustments are required, with the largest increases in the bimonthly charge proposed for services provided through 6-inch or larger meters.

Fire Services: Bimonthly Charge						
Service Size	Current	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15
1.5-inch	\$7.50	\$8.10	\$10.11	\$15.17	\$19.47	\$24.34
2-inch	\$10.00	\$10.80	\$14.69	\$22.04	\$28.30	\$35.37
2.5-inch	\$12.50	\$13.50	\$14.69	\$22.04	\$28.30	\$35.37
3-inch	\$15.00	\$16.20	\$26.93	\$40.39	\$51.86	\$64.82
4-inch	\$20.00	\$21.60	\$40.67	\$61.01	\$78.34	\$97.92
6-inch	\$30.00	\$36.50	\$78.84	\$118.27	\$151.85	\$189.91
8-inch	\$40.00	\$64.79	\$139.95	\$209.92	\$269.53	\$336.92
10-inch	\$50.00	\$103.69	\$223.97	\$335.95	\$431.34	\$539.18
12-inch	\$60.00	\$153.18	\$330.87	\$496.31	\$637.24	\$796.54

**What does one gallon
of water cost?**

Bottled: \$2.94 On Sale

**Tap: Less than 1 cent
(\$0.0044 to \$0.0052)
delivered straight
to your home!**

Lower Your Own Water Bill through Conservation:

The City's proposed new rates include a strong incentive to reduce your water use and minimize your bills. **Minor changes in water use habits can mean a big difference in your bill.** In fact, the City is here to provide you with free help to reduce unnecessary use. **Take advantage of our programs by visiting www.cityofnapa.org/water or calling 257-9497 today.** And stop by our water conservation display at the 2011 Napa Town & Country Fair!

A new Proposition 84 grant awarded to Bay Area water agencies may allow the City to greatly enhance its water conservation rebate programs for 2012 and beyond.

Lose the Lawn

Take advantage of our "Cash For Grass" Turf Replacement Rebate Program. Replace irrigated lawn with water-wise plants and receive up to \$500 for homes, \$2,500 for businesses and multi-family areas.



Free Water-Wise Home Survey

City specialist will check for leaks, provide high-efficiency replacement fixtures, inspect irrigation system, and advise on a watering schedule.

Free Toilet Replacement

Use the City of Napa Toilet Replacement Program and have your old pre-1994 water waster replaced with a WaterSense toilet.



High-Efficiency Clothes Washer Rebate

Get a \$100 rebate on a new residential clothes washer that uses at least 50% less water and energy than a conventional model.



Free Water-Saving Devices

Low-flow showerheads, faucet aerators, toilet flapper valves, "water miser" nozzles, hose timers, and more are available at our 1340 Clay Street office.

Fall 2011 Water-Wise Landscaping Workshop Series

6:30-8:30 pm
Wednesdays
Yountville Community Center
6516 Washington Street
Yountville

All workshops are FREE!
Water-saving tools, literature, door prizes.
Learn about water-wise rebates.



September 14 Smart Drip Irrigation



September 21 Soils, Mulches, and More



September 28 Perfect Plant Picks

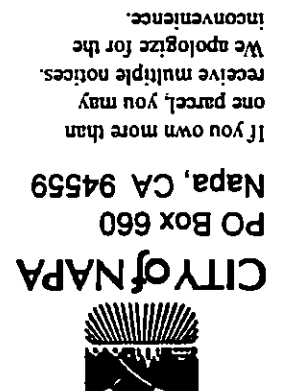
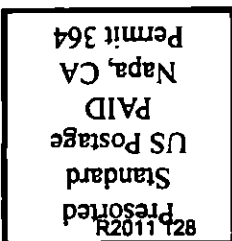


EXHIBIT B

EXHIBIT B CEQA Findings

- (a) **CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the purpose of:**

- (a)(1) ***Meeting operating expenses, and investing in capital projects to maintain the reliability of existing infrastructure***

City of Napa Water Division operates a system that involves watershed protection, collection, purchase, treatment, and delivery of potable water. Operation of the system, regardless of the quantity of water collected, treated, and delivered carries certain fixed and variable costs associated with the system's overall operation.

Over the past three years, the Water Division has encountered a decrease in customer demands and coincident reduction in rate revenue, while major operating expense increases for namely chemicals and water supply increased greater than the consumer price index, while the need to invest in capital projects increased from \$1M per year to at least \$3M per year to effectively maintain the existing assets. Division staff advised the Council that to meet its needs for capital investment, a rate increase is necessary.

The fixed bimonthly service charge recovers some of the revenues for the Water Division's fixed costs including meter reading and customer billing. Currently, there is no fixed charge to reflect the costs incurred irrespective of consumption.

The rate increase will be used to invest in capital projects to protect the integrity of the existing system and to move towards compliance with new and pending water quality regulations.

- (a)(2) ***Purchasing or leasing supplies, equipment, or materials,***

Operating the water collection, treatment, and delivery system involves the purchase, lease, and rental of supplies, equipment, and materials.

The rate increase will be utilized in part to fund the higher costs of purchasing or leasing supplies, equipment, and materials.

- (a)(3) ***Meeting financial reserve needs and debt service requirements,***

The 2007 Revenue Bonds effectively invested in the Barwick Jamieson Canyon Water Treatment Plant Improvements and funded 3 additional years of system-wide capital improvements.

The rate increase will be utilized in part to meet bond debt service coverage ratio requirements.

- (a)(4) ***Obtaining funds for capital projects, necessary to maintain service within existing service areas.***

The rate increase includes funds to maintain and replace the City Water Division's infrastructure as necessary to ensure the continued delivery of reliable, high-quality water.

- (a)(5) ***Obtaining funds necessary to maintain such intra-city transfers as are authorized by city charter.***

The intra-city transfers from the Water Enterprise Fund to the City general fund are calculated by the cost allocation plan and transfers are made to compensate only for services received or direct impact mitigation fees.

- (b) **Rate increases to fund capital projects for the expansion of a system remain subject to CEQA. The agency granting the rate increase shall act either as the Lead Agency if no other agency has prepared environmental documents for the capital project or as a Responsible Agency if another agency has already complied with CEQA as the Lead Agency.**

The City's rate increase will fund the on-going operation and maintenance of the water collection, treatment, and delivery systems to serve water demand. Maintenance of the overall water system includes the repair and replacement of facilities to safeguard existing water supplies, infrastructure, and programs to ensure a reliable water supply into the future. At such time as facilities are scheduled for repair or replacement, a review of the specific activity will be conducted in accordance with the CEQA Guidelines to assess the potential for impacts associated with the specific activity.

The rate increase does not include funding for the construction or modification of facilities that would expand the City's existing service area or increase the supply of water beyond that identified as necessary to reliably meet demand.

EXHIBIT C

Exhibit C Water Service Customer Classes

Single-family residential are properties that are so designated on the General Plan Land Use Diagram and which also meets the density range for single family residential uses established by the current City of Napa General Plan,

and meets the definition and development standards for the single-family residential districts per Municipal Code Section 17.08; (Residential Districts) of the Zoning Ordinance,

and have a City of Napa Use Permit (if required) that qualifies them for single-family residential use at the property

or are zoned as multi-family residential but are a property with two units, of which one is a granny unit,

or, regardless of zoning information, where each unit is served by its own water meter.

Multi-family residential are properties that serve two or more units measured through one water meter,

and are so designated on the General Plan Land Use Diagram, and which also meets the density range for multi-family residential established by the current City of Napa General Plan,

and meet the definition and development standards for the multi-family residential district per Municipal Code Section 17.08; (Residential Districts) of the Zoning Ordinance,

and have a City of Napa Use Permit (if required) that qualifies them for multi-family residential use at the property.

Note: A granny unit does not qualify as a unit.

Commercial are properties that serve business, industrial, or institutional uses,

and are designated as commercial, office districts, residential office districts, industrial districts, public and quasi-public in the Zoning Ordinance.

Irrigation are properties with a dedicated water meter used for irrigation purposes.

Inside City are properties within the City of Napa rural urban limit line (RUL) unless the property is designated as County of Napa property.

Outside City are properties outside the City of Napa RUL or a property designated as County of Napa property within the RUL.

Pumped Zone are properties in the water system pressure zone 4 and pressure zone 5 located at elevations that require water to be pumped by the City water system to the property.

Fire Services are properties with dedicated services for a private fire system and typically include fire sprinklers.