



**Local Agency Formation Commission of Napa County**  
Subdivision of the State of California

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*We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture*

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**February 3, 2014**  
**Agenda Item No. 8a (Discussion)**

January 28, 2014

**TO:** Local Agency Formation Commission

**FROM:** Peter Banning, Acting Executive Officer  
Brendon Freeman, Analyst

**SUBJECT: Central County Region Municipal Service Review:  
Draft Section on Central County Special Districts**

The Commission will review a draft section of its scheduled municipal service review on the Central County region specific to Napa Sanitation District, Congress Valley Water District, and Silverado Community Services District. The draft section examines the availability and adequacy of municipal services provided by NSD, CVWD, and SCSD relative to the Commission's mandates to facilitate orderly growth and development and will serve as the source document to inform pending agency-specific sphere of influence updates. The draft section is being presented for discussion and feedback in anticipation of preparing a final version for future action.

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The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") directs Local Agency Formation Commissions (LAFCOs) to prepare municipal service reviews every five years to inform their other planning and regulatory activities. This includes preparing and updating all local agencies' spheres of influence as needed. Municipal service reviews vary in scope and can focus on a particular agency, service, or geographic region as defined by LAFCOs. Municipal service reviews may also lead LAFCOs to take other actions under its authority such as forming, consolidating, or dissolving one or more local agencies. Municipal service reviews culminate with LAFCOs making determinations on a number of factors that include addressing infrastructure needs or deficiencies, growth and population trends, and financial standing as required by California Government Code (G.C.) Section 56430.

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Peter Banning  
Acting Executive Officer

## **A. Discussion**

### *Central County Region Study*

Consistent with LAFCO of Napa County's ("Commission") adopted study schedule, staff has initiated work on a municipal service review focusing on the Central County region; an area defined by the Executive Officer to encompass all lands extending south to Soscol Ridge, west to Congress Valley, north to Oak Knoll, and east to Silverado. The principal objective of the municipal service review is to develop and expand the Commission's knowledge and understanding of the provision of municipal services within the region relative to present and projected needs throughout the county. This includes evaluating the availability and adequacy of municipal services provided – directly or indirectly – by the four principal local service providers operating in the Central County region subject to Commission oversight. These agencies include: (a) City of Napa; (b) Napa Sanitation District (NSD); (c) Congress Valley Water District (CVWD); and (d) Silverado Community Services District (SCSD). The Commission will use the municipal service review to inform its decision-making as it relates to performing individual sphere updates for each of the affected agencies as well as evaluating future jurisdictional changes throughout the County.

### *Preparation of Central County Region Study*

It was staff's original intention to prepare a complete draft report on the municipal service review – including a regional overview paired with individual profiles on all four affected agencies – for Commission and public review. However, in consultation with the affected agencies, staff has revised its initial work plan to prepare and present the report in two phases. The first phase involved preparing the municipal service review section specific to the City of Napa. The Commission completed action on this report at its meeting on December 3, 2013. The second phase involves preparing the municipal service review section for NSD, CVWD, and SCSD. The underlying purpose in phasing the municipal service review is to enable the Commission to focus its attention first on the service and governance issues tied to the City of Napa given that its subsequent sphere of influence update will help inform the updates of the other three agencies included in the study. Phasing also accommodates an anticipated joint request from the County and Napa to act on the City's sphere of influence at the beginning of the new calendar year.

### *Draft Section on Central County Special Districts*

Consistent with the preceding comments, the second phase of the municipal service review is attached to this agenda report and represents the draft section for the three Central County special districts. The draft section is divided into eight subsections – overview, formation and development, adopted jurisdictional boundary, sphere of influence, demographics, organizational structure, municipal services, and financial standing – and culminating with determinative statements addressing all of the factors required for consideration under CKH. The draft section is being presented to the Commission for their initial review and feedback before a formal public review period commences and a final document is presented for action.

## B. Summary

With regard to central issues identified in the draft section, information independently collected and analyzed indicates municipal services provided by NSD, CVWD, and SCSD appear effectively managed and largely responsive to meeting current and projected community needs. Specific areas of interest to the Commission relative to its mandates and policy interests are memorialized in the determinations section and include the following pertinent conclusions.

- NSD's population over the next 10 years within the existing sphere of influence will generally match its principal service area – the City of Napa – and supplemented by minimal increase in the unincorporated portions of its service area, primarily Silverado. Growth rates of under one percent per year are expected in the service areas of NSD, CVWD and SCSD.
- NSD, CVWD and SCSD are providing reliable services within their respective service areas and are expected to meet current and projected demands for service under the existing general plans of Napa County and the City of Napa.
- Each of the three special districts described in this study finished the last fiscal year in relatively good financial standing as measured by high liquidity and capital ratios. These ratios provide some assurance that each district has sufficient resources to meet short- and near-term financial obligations as highlighted by net assets exceeding long-term liabilities.
- NSD and SCSD are dependent districts, with an appointed board (NSD) or governed by an *ex officio* board of directors (SCSD). CVWD is independently governed by a directly elected board, but that board is wholly dependent on the City of Napa to provide water service. Despite the lack of direct control over services by the residents of each of the three districts service areas, the study concludes that the existing arrangements for service and governance are appropriate and/or alternative arrangements are not likely to provide net improvement.
- The MSR section for the City of Napa discussed a "...governance disconnect between the boundary of the City of Napa and its historical water service area given that the latter extends significantly beyond the City's incorporated area and sphere of influence." This is partly reflected in the Congress Valley Water District's contract for service with the City. While there is no obstacle to public agencies entering into such contracts, this contract calls for the dissolution of CVWD in 2017. LAFCO may not be able to approve the dissolution under the restrictions of GCS 56133. In pointing this out, the report suggests that the provisions of the contract on dissolution of CVWD be reviewed by the City and the District prior to the scheduled implementation of this provision in 2017.

**C. Commission Review**

Commissioners are encouraged to discuss and provide feedback on the draft section prepared on the three Central County region special districts. Specific feedback is respectfully requested as it relates to areas of additional analysis. Unless otherwise directed, staff will initiate a 30-day public comment period on the draft section with the expectation of returning with a complete and final section for approval by the Commission as early as its next regular meeting.

Respectfully submitted,

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Peter V. Banning  
Acting Executive Officer

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Brendon Freeman  
Analyst

Attachments:

- 1) Central County Region Municipal Service Review: Draft Section on NSD, CVWD, and SCSD

**B. Napa Sanitation District**

**1.0 Overview**



The Napa Sanitation District (NSD) was formed in 1945 to provide public wastewater service for the City of Napa (“Napa”) and surrounding unincorporated urban areas. Actual service began in 1949 following the completion of NSD’s first wastewater treatment plant (Imola WTP) and an initial collection system covering most of the then-incorporated area extending between Pueblo Avenue to the north and Kaiser Road to the south. NSD’s formation coincided with significant land use change between 1940 and 1950 when subdivision activity intensified to accommodate a population that was rapidly increasing. In the 1960s and into the 1970s, the District invested in separating storm drainage from sanitary sewer facilities in order to reduce demand on the treatment plant during winter storms. NSD expanded its services in the 1970s to include retail recycled water following the completion of a new wastewater treatment plant (Soscol WTP).

NSD currently has an estimated resident service population of 81,448 with a jurisdictional boundary covering nearly all of the City of Napa as well as most surrounding unincorporated development, including the Silverado area and the Napa Valley Gateway Business Park. NSD is organized as a “dependent” special district, meaning that its five-member Board is not directly elected, but consists of appointed officials from the Napa City Council and County Board of Supervisors. NSD’s revenues consist of user fees; the District does not collect or share in property taxes revenues. The current NSD operating budget is approximately \$18.4 million. The total number of budgeted fulltime equivalent employees is 50 and has increased by five positions over the last ten years. NSD’s current unrestricted/unreserved fund balance is \$13.6 million.

**Napa Sanitation District**

Date Formed	1945
Enabling Legislation	Health and Safety Code 4700 et. seq.
Active Services	Wastewater Reclaimed Water
Estimated Residential Service Population	81,448

**2.0 Formation and Development**

**2.1 Community Need**

The central county region – anchored by Napa – began experiencing significant increases in growth in the early 1940s and aided by the dual factors of proximity to wartime operations at Basalt Rock and Mare Island and accommodating land use policies aimed at becoming a large metropolitan community; the latter highlighted by the first Napa County General Plan anticipating a City population of 150,000 by 1990. Accelerated population growth in the Napa region required a transition from its previous state as a rural area served by small wastewater and storm collection systems discharging to local ponds (or directly to the Napa River) to a more densely populated community in need of a sewage collection system and treatment facility.<sup>1</sup>

<sup>1</sup> Napa and the County had also established public collection systems within their respective jurisdictions. These collection systems, however, were jointly used to capture and convey both wastewater and storm water to local drainage ponds/fields that were located throughout the region.

## ***2.2 Formation and Initial Development***

NSD's formation was completed in November 1945 through an agreement between the City of Napa and County of Napa to provide wastewater services for existing and planned urbanized areas throughout the central county region. Two-thirds of the District's initial 5,000 acre jurisdiction covered the incorporated area of the City and one-third extended over unincorporated lands. The NSD governing Board accordingly consisted of three appointed members: two from the Napa City Council and one from the County Board of Supervisors. The service population of the District at inception was approximately 22,000.

Upon formation, and drawing on funds collected from the property tax roll, NSD hired a general manager to oversee the design of an initial collection and secondary treatment system. These efforts ultimately led to a final design approval by the NSD Board in June 1946 followed by a successful special assessment election in August 1946 authorizing the District to sell \$1.0 million in bonds to help fund the construction of the Imola WTP along the eastern shoreline of the Napa River and an initial collection system.<sup>2</sup> An additional \$0.3 million towards construction costs were also contributed by the State of California for NSD agreeing to serve the Napa State Hospital. The Imola WTP commenced operations in September 1949 with a daily design capacity of 4.0 million gallons.<sup>3</sup>

## ***2.3 Growth Impacts***

Napa's growth between 1950 and 1960 – the City's population increased by 63% from 13,579 to 22,170 – proved taxing to NSD's infrastructure as average day flows began to reach and occasionally exceed the design capacity of the Imola WTP. Overflows of raw wastewater into the Napa River became more common and promoted NSD to adopt restrictions on new connections in October 1963 and call for a new special assessment to fund needed capital improvements.<sup>4</sup> The vote for a new special assessment, however, was rejected by voters in February 1964. This election defeat was followed by a cease and desist order by State regulators banning any new connections in November 1964 until specific improvements were made in order to protect the Napa River against dry-weather overflows. The cease and desist order was eventually lifted following voter approval of a new special assessment in October 1965 authorizing NSD to sell \$8.0 million in additional bonds. Revenues generated from the second special assessment, notably, funded the expansion of the Imola WTP to raise the daily capacity to 5.0 million gallons, increase storage capacity within its oxidation ponds, and install new trunk line to handle sewer flows in north Napa.

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<sup>2</sup> The special assessment election in 1946 also authorized NSD to purchase the referenced collection systems that had been constructed earlier by Napa and the County for specific development projects.

<sup>3</sup> The Imola WTP was constructed to provide both primary and secondary treatment with the latter being subsequently eliminated due to demands and costs.

<sup>4</sup> These restrictions included a moratorium on new connections located north of the Napa Creek and west of the Napa River unless previously entitled byway of an earlier contract.

## ***2.4 New Wastewater Treatment Standards***

A series of new Federal and State regulations beginning in the late 1960s and into the early 1970s established higher treatment thresholds for all public wastewater agencies and enacted significant restrictions on agencies – such as NSD – to discharge into surface waters during dry-weather seasons. These new regulations were highlighted by the Clean Water Act of 1972 and the resulting permit program known as the National Pollutant Discharge Elimination System (NPDES) aimed at regulating the treatment and timing of wastewater discharges into surface waters. The introduction of new treatment and discharge regulations prompted NSD to enter into a joint-powers agreement within the American Canyon County Water District known as the Napa-American Canyon Wastewater Management Authority (“Authority”) in 1975. The Authority, which paralleled an existing service arrangement between the two affected parties in which NSD was already providing treatment through a common force main located near the Napa County Airport, facilitated the construction of the Soscol WTP in 1978 to supplement ongoing operations at the Imola WTP.<sup>5</sup> The construction of the Soscol WTP, provided NSD the ability to begin treating wastewater to a standard allowing for dry-season irrigation of pastures, orchards, and fodder which lessened the District’s demand on its oxidation storage ponds and need for dry-season discharges into the Napa River.<sup>6</sup>

A second series of new regulations enacted by the State Resources Water Quality Control Board (the administrator of NPDES) in the 1980s mandated elimination of dry-season discharges into surface waters by the end of the decade. This prompted NSD to reorient its operations to focus on expanding its recycled water projects. Towards this end, NSD completed the Kirkland Pipeline project that included the purchase of additional agricultural property for dry-season irrigation as well as connection to the Chardonnay Golf Club, the District’s first external paying customer for recycled wastewater. NSD also completed work on a comprehensive upgrade to the Soscol WTP to expand the scope of its recycled water program by raising treatment standards from secondary to tertiary in 1997.<sup>7</sup>

## ***2.5 Governance Reviews***

There have been at two separate reviews over the last 20 years with regard to considering the merits of reorganizing NSD. The first formal review was initiated by NSD in 1995 in response to a grand jury report. The study considered – among other items – two alternatives: reorganizing the District as an independent special district with a directly elected board or merging with Napa. This review – prepared by an NSD subcommittee and in consultation with the Commission, City of Napa, and the County – produced a recommendation that was ultimately enacted through special legislation to increase the number of appointed board members of the existing sanitation district from three to five with the two new seats belonging to members of the public, each appointed by the City or

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<sup>5</sup> The Soscol WTP was initially designed with a daily capacity of 15.4 million gallons.

<sup>6</sup> The Authority was dissolved in 1994 following the incorporation of American Canyon.

<sup>7</sup> NSD reached a 20-year agreement with Napa in 1998 allowing the District to solicit and provide reclaimed water service within a specified area of the City’s water service area. Referred to as the “reuse area,” the agreement defines NSD’s recycled service area as lands east of the Napa River, south of Imola Avenue, west of Highway 221, and north of American Canyon. The agreement also allows NSD to deliver reclaimed water to the Napa State Hospital, Stanly Ranch, and the South Napa Market Place. NSD agrees to reimburse Napa for the loss of potable water sales revenue in the event customers take delivery of recycled water in lieu of potable water from the City. NSD also agrees to furnish up to 50 acre-feet per year of reclaimed water to Kennedy Park and Napa Valley College at no cost.

the County.<sup>8</sup> The second review was performed directly by the Commission as part of its inaugural municipal service review of NSD. This study concluded with a determination that the current governance structure appropriately balances the interests of both the City and the County while allowing NSD to remain independent in matters affecting local land use decisions.<sup>9</sup>

### 3.0 Existing Boundary and Jurisdiction

#### 3.1 Current Composition

NSD's existing jurisdictional boundary is approximately 21.5 square miles in size and covers 13,834 acres. There are currently 25,917 parcels within the jurisdictional boundary and divided between 71.4% incorporated and 28.6% unincorporated lands. All developed parcels have established wastewater services with NSD. Since the District's Board is appointed rather than directly elected, County Elections does not maintain a count of registered voters within NSD.

#### NSD's Jurisdictional Characteristics

(Source: Napa LAFCO)

Total Jurisdictional Acreage.....	13,834
Total Jurisdictional Parcels.....	25,917
- Percent Incorporated.....	71.4%
- Percent Unincorporated.....	28.6%
Percent of Jurisdictional Parcels Connected.....	100%
Registered Voters.....	41,377
- Percent Incorporated.....	93%
- Percent Unincorporated.....	7%

#### 3.2 Jurisdictional Trends

NSD's jurisdictional boundary continues to evolve as a result of new annexations. The Commission has approved and recorded 420 annexations covering 7,200 acres since 1963 increasing the District's service area by one-half. The timing of these annexations has been relatively steady during each of the last five decades with the maximum occurring in the 1980s when a total of 108 annexations were approved.

*The Commission has approved and recorded 420 annexations to NSD since 1963 and has expanded the District's jurisdictional size by one-half.*

There have been a total of 15 approved and recorded annexations to NSD since the last municipal service review was completed by the Commission in late 2006. These approvals have added 37 parcels covering 495 acres with the majority involving underdeveloped lands in which the proposal was intended to facilitate a development project. A map showing all of the approved annexations during this latter period is provided as Appendix B.

<sup>8</sup> Reference California State Senate Bill 156 (Thompson) in 1995.

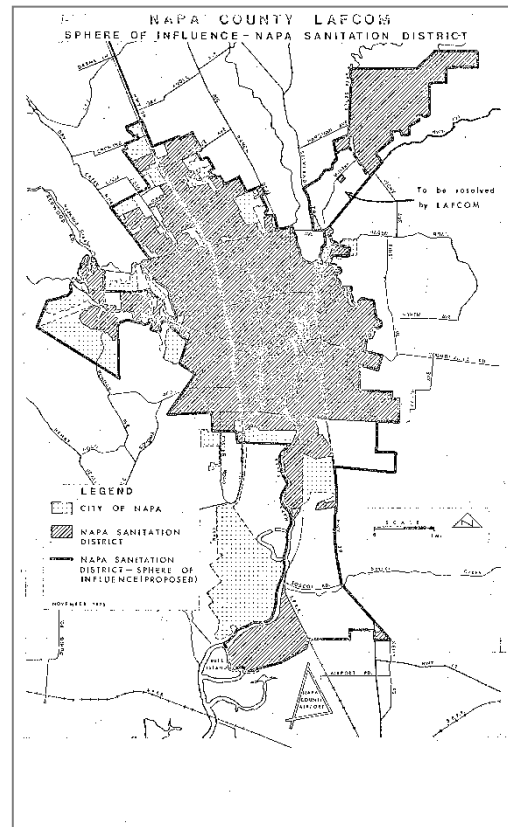
<sup>9</sup> The municipal service review on NSD and the referenced determination was adopted by the Commission in April 2006.



## 4.0 Sphere of Influence

### 4.1 Establishment in 1975

NSD's sphere was established by the Commission in 1975. Principal planning factors used by the Commission in establishing the location of the sphere included assessing the service capabilities of NSD over the next five year period paired with the adopted land use policies of Napa and the County with respect to planned urban development. The result was a sphere encompassing approximately 14,510 total acres or 22.7 square miles and covering NSD's entire jurisdictional boundary along with most lands lying within Napa's RUL with the notable exception of the Stanly Ranch area. Further, and within the total amount added to the sphere, the Commission included an estimated 1,465 acres of land lying outside the RUL to reflect either existing service commitments (Kaiser Steel and Napa State Hospital) or areas expected to need sewer within the near term (Monticello Road area) based on current and planned urban land uses.



### 4.2 Update in 1976

The Commission initiated an update to NSD's sphere one year later in 1976 at the request of NSD to address the District's objection to including the Monticello Road area. NSD asserted that the collection line traversing the area – Milliken Trunk Line – was not capable of serving the residential uses in the Monticello Road area given the majority of available capacity had been contractually reserved to accommodate additional development in development of the Silverado area. The Commission unanimously adopted the second update highlighted by the removal of the approximate 900 acre Monticello Road area from the sphere.<sup>10</sup>

### 4.3 Update in 2006

The Commission adopted a third update to NSD's sphere in 2006. This update – which was required by the earlier enactment of CKH and its cornerstone provision that LAFCOs review and update each agency's sphere by 2008 and every five years thereafter – resulted in a net increase to the NSD sphere of 1,950 acres, an expansion of 13%. These additional acres comprised 16 separate areas and highlighted by Foster Road, Big Ranch Road, and Stanly Lane. A key result of this third update was to ensure all lands within Napa's RUL (which had been revised in 1982 and not reflected in the earlier update) are in NSD's sphere.

<sup>10</sup> The Commission adopted 29 amendments to the NSD sphere adding 1,150 acres after the 1976 update through 2005. The majority of these amendments involved lands located in the Napa RUL and involved concurrent annexations to the City. The remaining portion of the amendments involved unincorporated lands located south of the Soscol Ridge and north of the City of American Canyon, including the Napa County Airport and surrounding industrial area.

The third update also added unincorporated lands lying outside the RUL that had established service through outside service agreements prior to becoming subject to LAFCO oversight, such as Eagle Vines and Chardonnay Golf Clubs. These amendments to the District's sphere did not include the Monticello unincorporated area.

#### 4.4 Current Composition

NSD's sphere – which includes two distinct and non-contiguous areas centering on the City of Napa and the Silverado area – has not been further amended since the last update completed in 2006. The District's sphere presently encompasses 26.1 square miles or 16,710 acres. Of this amount, there are a total of 367 parcels covering 2,577 acres currently within the sphere eligible for annexation or outside service extensions. In other words, 15% of the sphere acreage remains outside the NSD jurisdictional boundary. A map showing lands in the sphere and eligible for annexation or outside service extensions is provided as Appendix C.

*There are 367 parcels covering approximately 2,500 non-jurisdictional acres in NSD's existing sphere eligible for annexations or outside service extensions.*

## 5.0 Demographics

### 5.1 Population

NSD's current resident population is estimated at 81,448. This estimate represents an overall population growth rate of 3.9% over the last 10 year period or 0.4% annually. Almost all of the projected growth within NSD is attributed to new residential development within Napa. Residents of the City currently account for 96% of the District's total population. The remainder of the population is divided between three unincorporated areas with the bulk lying within 20 islands surrounded by Napa but served by NSD followed by the Silverado and Penny Lane areas.

Recent Population Growth (California Department of Finance / Napa LAFCO)				
Jurisdiction	2003	2013	Difference	Annual Percentage
NSD	78,286	81,448	3,162	0.4%

Division of NSD's Current Population (California Department of Finance / Napa LAFCO)				
Service Area	2003	2013	Difference	Percentage
Napa	74,736	77,881	3,145	4.2
Island Properties	2,181	2,181	-	-
Silverado	1,325	1,342	17	1.3
Penny Lane	44	44	-	-
Total	78,286	81,448	3,162	0.4%

\* LAFCO does not measure any new residential growth within the unincorporated islands or Penny Lane over the last 10 years based on information available on GIS.

\* Silverado's estimated population accounts only for permanent residences. An additional population base consisting of vacation/second homes totals 561 and – when occupied – would increase the population within the community from an estimated 1,342 to 2,745.

With respect to projections, and for purposes of this review, it is reasonable to assume NSD's permanent resident population over the next 10 years within the existing sphere will generally match its principal service area – Napa – and modestly supplemented by a minimal increase in new residential development in Silverado. The assumptions suggest NSD's permanent resident population within its existing sphere designation will modestly increase relative to the previous decade and rise on average from 0.4% to 0.5%. The substantive result of these assumptions would be an agency-wide permanent resident population of 85,355 by 2023.

*It is reasonable to assume NSD's growth rate in permanent residents will generally follow its principal service area – Napa – and increase over the next 10 years from 0.4% to 0.5%. This assumption would result in an agency-wide population of 85,355 by 2023.*

#### Projected Population Growth within Existing Sphere (Napa LAFCO)

Jurisdiction	2013	2018	2023	Difference	Annual Percentage
NSD	78,286	83,401	85,355	7,069	0.9

## 5.2 Population Density

NSD's permanent population density is estimated at 3,788 residents for every square mile. This amount is 13% less than Napa's overall population density and is primarily attributable to uninhabited industrial lands comprising NSD's southern jurisdictional area. The following table depicts densities estimates within NSD's four distinct service areas.

*NSD's permanent population density is estimated at 3,788 residents for every square mile.*

#### Population Densities within NSD's Service Areas (Napa LAFCO)

Jurisdiction	Population	Land Area (Square Miles)	Permanent Residents Per Square Mile
Napa	77,881	18.2	4,279
Island Properties	2,181	0.29	7,520
Silverado	1,342	2.0	671
Penny Lane	44	.0625	704
<b>Total</b>			

## 6.0 Organizational Structure

### 6.1 Governance

NSD's governance authority is provided under the County Sanitation District Act of 1923 (Health & Safety Code 4700 et seq.) and empowers the District to provide the following four specific services:

- Collect, treat, and dispose of wastewater (active)
- Treat, store and distribute water supplies (active)
- Operate a refuse transfer or disposal system; collection is prohibited (latent)
- Provide street cleaning and street sweeping (latent)

NSD was originally established in 1945 with a three-member Board consistent with the standard provisions outlined in its principal act consisting of two appointed members from the Napa City Council and one appointed member from the County Board of Supervisors. NSD's Board composition was later expanded by special legislation to include two public members; one additional member appointed by the City of Napa and one by the County Board. NSD Board members serve staggered four year terms and hold regular meetings on the first and third Wednesdays of each month. The current average tenure on the Board is 8.6 years.

Current NSD Board Roster (NSD)			
Member	Position	Background	Years on Board
Jill Techel	City Member	Educator	9
Pete Mott	City Member	Business	1
Mark Luce	County Member	Chemical Engineer	14
Charles Gravett	Public – Napa	Attorney	13
Charles Shinnamon	Public – County	Engineer	6
<i>Average Years of Board Experience</i>			8.6

As a “dependent” special district with appointed board members, NSD has no elections. Board members serve different terms of office, depending on the agencies they represent. One of the two City members is the Mayor of the City of Napa, the other City member serves at the pleasure of the Mayor. The County member is appointed or re-appointed annually by the County Board of Supervisors. The public member appointed by the City is appointed to a four-year term. The public member appointed by the County Board of Supervisors is appointed to a two-year term of office.

## 6.2 Administration

NSD appoints a District Manager to oversee all day-to-day operations and the District's current budgeted employee total of 50. The current District Manager – Tim Healy – was appointed in 2010 and has worked within the agency for a total of 23 years. Employees are divided between five divisions briefly described below:

- **Administration:** includes the Board of Directors, General Manager, Safety and Training, and Pollution Prevention functions along with finance and accounting services, human resources, risk management, safety and training, fleet management, pollution prevention and outreach, and general administrative functions.
- **Wastewater Treatment Plant:** includes operation and maintenance of the wastewater treatment plant and laboratory services.
- **Collection System Maintenance:** includes preventive and corrective maintenance and operation of the sewage collection system.
- **Water and Biosolids Reclamation:** includes recycled water system management and disposal of biosolids through land application.
- **Engineering:** includes development review, capital project management, project design/engineering and inspection.

### 6.3 Organizational Alternatives

As described above, there have been two studies of the possible reorganization of NSD in recent years. The first led to special legislation that created the present expanded NSD governing board. The second study gave a more complete review of the range of legal organizational alternatives to the present sanitation district

This report, *Napa Sanitation District: Options and Opportunities for Governance* (Napa LAFCO, 2004) examines the implications of reorganizing NSD as an independently governed special district (such as a *sanitary* district [under Health and Safety Code Section 6400 et seq.]) or as a county service area (CSA) governed by the County Board of Supervisors as its *ex officio* governing board or as a subsidiary district of the City of Napa with the Napa City Council serving as its *ex officio* governing board.

The study concluded that the present sanitation district governance structure appropriately balances the various advantages and disadvantages of the alternatives to the status quo, saying:

.... it does not seem likely that either customers or local governments would be better served by the transformation of the Napa Sanitation District into another entity, specifically a City or County department. Further, because there are no overlapping special district boundaries or overlapping service deliveries or inefficiencies within the NSD's geographical areas, the NSD does not meet the State's criteria under the mandate to collapse and/or restructure special districts whenever it is efficient and reasonable to do so.

The characteristic of NSD that is most central to the discussion of organizational alternatives is that the District serves both incorporated and unincorporated areas with the preponderance of its service area within the City of Napa. The sanitation district structure, with its board members appointed from the boards of the affected and under-lying agencies, maintains connections between the governance of local government service functions through inter-locking board members.

While it can be said that the existing sanitation district structure of NSD may be less accountable than a directly elected special district board, this consideration may be less important (relative to other municipal services) to the provision of sewer service, which is subject to stringent regulatory authorities and where there is little variation in the desires or expectations of ratepayer consumers. As previously mentioned, over 70% of the territory and over 90% of the registered voters in the District are in the City of Napa. If reorganized as an independent *sanitary* district, it would not be surprising if all of the district's directly elected board members were residents of the City and none from the unincorporated area.<sup>11</sup> The balance of interests between incorporated and unincorporated residents could be lost.

Other than the debatable advantage of greater accountability from a directly elected independent governing board in this case, the report did not identify any gain in cost or efficiency to be derived from reorganization of NSD as a sanitary district. The 2004 report does not include alternatives that do not require LAFCO approval, such as a contract

<sup>11</sup> The enabling legislation for sanitary districts has no provision for establishing electoral districts for representation of different areas within the sanitary district.

between the existing Sanitation District and the City of Napa, representing a “functional consolidation” rather than a “political consolidation.” Under this alternative, Board representation would not be affected. Present employees of the District would become employees of the City. The presumed advantages in cost and efficiency would relate to elimination of duplication in some administrative functions, such as legal counsel, coordination of capital projects and clerical support. The magnitude of the cost savings cannot be estimated without detailed study.

Both of the other types of organizational alternatives – subsidiary district of Napa and county service area – are simply other forms of dependent special districts, one governed exclusively by the County Board of Supervisors and the other governed exclusively by the City Council. Since neither of these alternatives is likely to generate significant cost savings, the governance of the existing sanitation district would remain as a clear advantage as more fairly representative of both city and unincorporated residents.

The purpose of the sanitation district enabling statute is to balance representation between otherwise awkward configurations of city and county jurisdiction. The existing organization of the District accomplishes this objective. In addition, the NSD governing board meets twice per month, a greater workload that could normally be expected of the County Board of Supervisors or the City Council meeting as an *ex officio* governing board for sewer service. Reorganizing NSD to become another form of dependent district would imply reduced board oversight of District operations.

As was the case with the previous study in 2004, staff has not identified significant advantages to reorganization of NSD in terms of cost efficiency, accountability or governance.

## 7.0 Municipal Services

NSD provides two municipal services at this time: wastewater and recycled water. The majority of the following analysis will focus on NSD’s wastewater services given its explicit tie to supporting existing and planned urban uses within its sphere of influence. A more limited review of NSD’s recycled water services is offered to document existing and planned activities. The decision to limit the focus of this review with regards to NSD’s recycled water service reflects the current limitations on LAFCO authority under Government Code Section 56133; a statute that exempts agencies from needing LAFCO approval prior to extending recycled water service by contact beyond their boundaries.

*The focus of the preceding analysis is provides a reasonable and independent “snapshot” of the current availability, demand, and performance of NSD’s wastewater services. A cursory review of NSD’s recycled water service program is offered for purposes of documenting current and planned activities.*

The District provides sewage collection, treatment and disposal services to its service population through approximately 36,000 connections and 270 miles of collection system pipelines. Upgraded treatment facilities have a dry weather treatment design capacity of 15.4 million gallons per day. As described in the District’s Annual Report:

The wastewater is treated and discharged in various manners, depending on the source of the wastewater and the time of year. The District's regulating body, the Regional Water Quality Control Board, permits discharge to the Napa River from November 1 through April 30 (the wet season period). The average discharge of treated water to the Napa River is approximately 14.7 MGD. The District provides full secondary treatment at its wastewater facility whenever discharging to the Napa River.

From May 1 through October 31 (the dry season period) discharge to the Napa River is prohibited and wastewater is either stored in stabilization ponds or treated to the tertiary level and beneficially reused for irrigation in industrial parks, golf courses, pasturelands and vineyards. High quality "Title 22 Unrestricted Use" recycled water is provided to all recycled water users.

The District seeks to ensure that the above services are and will remain adequate and safe for current and future customers through an adopted Master Plan and a State-mandated Sewer Service Management Plan. As described by the District's published information,

In 2007, Napa Sanitation District completed a Collection System Master Plan. The plan evaluates the condition and performance of the sewer pipe collection system under both current and future (year 2030) buildout conditions. The Master Plan concluded that while the collection system has adequate dry weather capacity to handle anticipated growth, it has inadequate capacity for existing wet-weather peak flows due to excessive inflow and infiltration (I/I) entering the system. I/I occurs where there are cracks or breaks in the sewer main and lateral pipes that allow rainwater or groundwater to enter the sewer pipe system. Inflow can also come from other connections such as rain downspouts or sump pumps that are illegally connected to the sewer system.

The Master Plan concludes that the most cost-effective solution is a combination of I/I reduction projects and capacity upgrades to handle peak flows, as opposed to wholesale capacity upgrades to the system. Based on this recommendation, the District has initiated pilot projects to determine the sources of and best approaches for reducing I/I to the collection system.

NSD also works with other organizations to enhance service or gain efficiencies. The District staff's recent activity reports include the following efforts involving shared services or outreach efforts:

- Coordinated with City of Napa Stormwater staff on the development of BMPs for mobile cleaners;
- Worked with members of the Environmental Education Coalition of Napa County (EECNC) to plan and present Earth Day activities in April;
- Outreach meetings with winery managers and representatives regarding proposed Board action to enforce Industrial User requirements on all winery operations;
- Attended the Bay Area Pollution Prevention Groups bimonthly meeting, with an effort toward getting more involved in shared efforts at pollution prevention;

- Monthly meetings with NSD and County senior staff to coordinate the Milliken-Sarco-Tulcay Pipeline design and construction projects, including providing staff support in outreach efforts and at public meetings;
- Coordinated with Clinic Ole and Napa Can Do volunteers on monthly collection and disposal of unused medications. Worked with other area pharmacy owners and managers to expand the program;
- Leadership role in North Bay Water Reuse Authority Technical Advisory Committee and Finance Committee;
- Discussions with Real Energy, to support the project of reducing solid waste going to landfill by incorporating this waste into new energy-capturing processes;
- Continuation of partnership with City of Napa's Recycle More program that includes curbside collection of cooking oil;
- Continued collaboration with the Los Carneros Water District and the developers of Stanly Ranch area to install a recycled water pipeline under the Napa River and distribution system in the Carneros area.

## 8.0 Finances

### 8.1 Assets, Liabilities, and Equity

NSD's financial statements are prepared by the District's Finance Department and included in its annual report at the conclusion of each fiscal year. The most recently issued annual report was prepared for the 2011-2012 fiscal year and includes audited financial statements identifying NSD's total assets, liabilities, and equity as of June 30, 2012. These audited financial statements provide quantitative measurements in assessing NSD's short and long-term fiscal health and are summarized below.

#### Assets

NSD's assets at the end of the fiscal year totaled \$172.3 million. Assets classified as current with the expectation they could be liquidated into currency within a year represented one-eighth of the total amount with the majority tied to cash and investments.<sup>12</sup> Assets classified as non-current represented the remaining amount with the largest portion associated with depreciable structures.<sup>13</sup>

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Current Assets	20.132	20.429	22.537	22.645	21.847
Non-Current Assets	149.455	150.494	148.456	148.786	150.483
Total Assets	\$169.587	\$170.923	\$170.993	\$171.431	\$172.330

*Amounts in millions*

#### Liabilities

NSD's liabilities at the end of the fiscal year totaled \$38.4 million. Current liabilities representing obligations owed within a year accounted for one-eighth of the total amount and primarily tied to accounts payable at \$1.8 million. Non-current liabilities accounted for the remaining amount with the majority tied to long-term debt at \$33.6 million.

<sup>12</sup> Current assets totaled \$21.9 million and include cash investments (\$17.4 million), accounts receivable (\$1.3 million), assessments receivable (\$0.3 million), and inventory (\$0.1 million).

<sup>13</sup> Non-current assets totaled \$150.5 million and include buildings and improvements (\$102.8 million), donated sewer lines (\$20.4 million), land (\$7.4 million), and equipment (\$5.9 million) minus accumulated depreciation (\$0.6 million).



Category	2007-08	2008-09	2009-10	2010-11	2011-12
Current Liabilities	3.094	3.145	3.441	4.250	4.601
Non-Current Liabilities	37.099	37.097	37.744	35.831	33.751
Total Liabilities	\$40.193	\$40.242	\$41.185	\$40.081	\$38.352

*Amounts in millions*

### ***Equity/Net Assets***

NSD's equity, or net assets, at the end of the fiscal year totaled \$134.0 million and represents the difference between the District's total assets and liabilities. The end of year equity amount incorporates a \$13.7 million balance in unrestricted funds. This unrestricted fund balance is attributed to a net operating surplus of \$1.0 million.

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Capital Asset Funds	114.093	115.483	112.467	114.273	117.505
Restricted Funds	9.957	4.114	3.014	3.388	2.758
Unrestricted Funds	5.344	11.084	14.326	13.689	13.716
Total Equity	\$129.394	\$130.681	\$129.807	\$131.350	\$133.979

*Amounts in millions*

NSD's financial statements for 2011-2012 show that the District experienced a positive change in its fiscal standing as its overall equity, or fund balance, increased by two percent from \$131.4 to \$134.0 million. This increase in the overall fund balance is directly attributed to NSD's operating surplus in which operating revenues surpassed operating expenditures in recent years. No significant deficiencies or material weaknesses were identified with respect to NSD's financial statements.

Calculations performed assessing NSD's liquidity, capital, and profitability indicate the District finished 2011-2012 with sufficient resources to remain operational into the foreseeable future. Specifically, short-term liquidity remained high given NSD finished the fiscal year with sufficient current assets to cover its current liabilities nearly five-to-one.<sup>14</sup> NSD also finished with manageable long-term debt as its net assets exceeded its non-current liabilities by four-to-one, reflecting a strong capital structure.<sup>15</sup> NSD also finished the fiscal year with a positive operating margin as revenues exceeded expenses by five percent.<sup>16</sup>

## ***8.2 Revenue and Expense Trends***

A review of NSD's audited revenues and expenses identifies the District has finished four of the last five completed fiscal years with operating surpluses reflecting a balanced financial structure. The 2007-2008 fiscal year marked the largest end-of-year surplus at \$0.9 million and is primarily tied to operating revenues exceeding expenses by nearly one-tenth. NSD's revenues and expenses are segregated into two broad fund categories: (a) operating and (b) non-operating. An expanded review of NSD's audited end-of-year revenues and expenses in the two fund categories follows.

<sup>14</sup> NSD also finished with cash reserves sufficient to cover 318 days of operating expenses.

<sup>15</sup> NSD's debt-to-equity ratio as of June 30, 2012 was 0.25.

<sup>16</sup> NSD's operating margin as of June 30, 2012 was 0.05.

<b>Fund Category</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
<b>Operating</b>					
Revenues	17.215	17.922	18.211	19.204	19.515
Expenses	15.935	17.153	17.894	17.621	18.486
<b>Non-Operating</b>					
Revenues	1.392	1.978	0.617	0.409	0.257
Expenses	1.794	1.923	1.906	1.151	1.105
<b>Total</b>					
Revenues	18.607	19.900	18.828	19.613	19.772
Expenses	17.729	19.076	19.800	18.772	19.591
	\$0.878	\$0.824	(\$0.972)	\$0.841	\$0.181

*Amounts in millions*

*\* All information reflects audited financial statements in CAFRs and based on GAAP accrual basis accounting.*

### **8.3 Current Budget**

NSD's adopted budget for the 2013-2014 fiscal year totals \$20.0 million. This amount represents NSD's total approved expenses or appropriations for the fiscal year. An expanded review of budgeted expenses and revenues follows.

#### ***Operating***

NSD's operating budget unit supports basic District sewer service activities. Approved expenses total \$13.6 million with three-fifths of the appropriation dedicated to salaries and benefits. Estimated revenues are projected at \$19.2 million with proceeds expected to be nearly entirely generated from sewer service related fees and charges. NSD is projected to experience a \$5.6 million operating surplus and would further increase its budgeted unreserved/unrestricted fund balance from \$9.5 million to \$15.1 million.

#### ***Capital Improvement***

NSD's capital improvement budget unit supports the replacement and rehabilitation of existing capital assets as well as the acquisition or construction of new capital assets. Approved expenses are estimated at \$29.8 million and allocated to projects including mainline sewer rehabilitation, a manhole raising program, and inflow/infiltration reduction programs. New revenues are budgeted at \$24.8 million and will be drawn from development capacity charges, interest earnings, Federal grants, and intra-governmental transfers.

### **9.0 Agency Specific Determinations**

The following determinations address the service and governance factors enumerated for consideration by the Commission under G.C. Section 56430 as well as required by local policy. These factors range in scope from considering infrastructure needs and deficiencies to relationships with growth management policies. The determinations serve as independent conclusions of the Commission on the key issues underlying growth and development within the affected community and are based on information collected, analyzed, and presented in this report and are specific only to NSD. Determinations for the other agencies in this municipal service review are provided in their corresponding sections.

### ***9.1 Growth and Population Projections***

- a) NSD's permanent resident population over the next 10 years within the existing sphere will generally match its principal service area – the City of Napa – and supplemented by a minimal increase in new residential development in Silverado. The assumptions suggest NSD's permanent resident population within its existing sphere designation will modestly increase relative to the previous decade and rise on average from 0.4% to 0.5%. The substantive result of these assumptions would be an agency-wide permanent resident population of 85,355 by 2023.

### ***9.2 Present and Planned Capacity of Napa Sanitation District's Public Facilities, Adequacy of Public Services and Infrastructure Needs of Deficiencies.***

- a) The capacities of the District's collection and treatment facilities are sufficient to service the existing service population. Planned facility upgrades, with ongoing District plans and monitoring programs, are expected to be sufficient to serve a slowly expanding service population.

### ***9.3 Financial Ability to Provide Services***

- a) Sewer service rates charged by NSD are sufficient to support the District's capital and operating expenditures into the immediate future.
- b) Approved capital expenditures are estimated at \$29.8 million and allocated to projects including mainline sewer rehabilitation, a manhole raising program, and inflow/infiltration reduction programs. New revenues are budgeted at \$24.8 million and will be drawn from development capacity charges, interest earnings, Federal grants, and intra-governmental transfers.
- c) The District has finished four of the last five completed fiscal years with operating surpluses reflecting a balanced financial structure. NSD's overall equity has increased from \$131.4 to \$134.0 million. The increase in equity is attributable to NSD's operating surpluses in which operating revenues have surpassed operating expenditures in recent years.

### ***9.4 Status and Opportunities for Shared Facilities***

- a) NSD engages with other agencies in frequent and diverse programs to share programs and facilities enhancing public services. These efforts include educational activities, public outreach, reuse of resources, pollution prevention, coordination of capital projects and extension of the use of recycled wastewater.

### ***9.5 Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies***

- a) NSD's governance as a sanitation district - by a board of directors appointed by the City and the County with additional appointed members according to special legislation – appropriately balances the interests of residents of incorporated and unincorporated areas.

- b) Detailed study of NSD's organizational structure as a sanitation district and the alternatives to that structure has found that the present sanitation district governance structure functions as well or better than alternatives to the current form of the Districts organization as a sanitation district. Services provided by NSD are primarily to the City of Napa. 71.4% of the District's jurisdictional area and 91% of the District's registered voters lie within the City's boundary, thus meeting the minimum requirements for the District to become a subsidiary district of the City. However, no significant change in underlying conditions of jurisdiction or net advantage for the alternative structures has been identified since study was completed in 2006.
- c) NSD's accountability to the public is enhanced by an informative website, educational programs, facility tours, pollution prevention and other programs that seek to actively report to and engage its customers.

***9.6. Location and Characteristics of Any Disadvantaged Unincorporated Communities within or Contiguous to the Existing Spheres of Influence.***

- a) A review of available economic data compiled as part of the most recent American Communities Survey does not identify any distinct areas within Napa's existing sphere of influence meeting the definition of a disadvantaged unincorporated community.

***9.7. Relationship with Regional Growth Goals and Policies (Local Policy)***

- a) Special districts have no authority over land use and hence no direct participation on the policy level that would connect the activities of the district with regional growth. NSD's policies specifically state that the District will neither act to encourage or discourage growth, but will facilitate growth as planned by agencies responsible for growth policy.

## C. Congress Valley Water District

### 1.0 Overview



The Congress Valley Water District (CVWD) was formed in 1949 to provide water service to the unincorporated community of Congress Valley; a rural residential area located immediately west of Napa. CVWD's formation was engendered by area landowners in response to diminishing groundwater supplies principally attributed at the time to the development and irrigation of vineyards throughout the surrounding areas. The completion of formation proceedings – and as intended – immediately preceded CVWD entering into an agreement with the City of Napa for its water supply in conjunction with the District constructing a distribution system with an intertie to the City. The distribution system was rebuilt in 1987 and coincided with a new 30-year water supply agreement. The agreement stipulates that CVWD agrees to dissolve and turn over all assets to Napa in July 2017. LAFCO was not a party to the agreement even though the Commission's approval will be necessary to several aspects of its implementation and the continuation of service by the City thereafter.

CVWD currently has an estimated resident service population of 241 spanning an approximate 2.2 square mile jurisdictional area. CVWD is organized as an independent special district with a directly elected five-member board of directors that serve staggered four-year terms. A part-time administrator oversees the District's activities, including providing accounting services and coordinating service requests with Napa's Water Division. The current operating budget is \$71,100. CVWD's current unrestricted/unreserved fund balance is \$63,283 which is sufficient to cover nearly 11 months of operating expenses.

**Congress Valley Water District**

Date Formed	1949
Enabling Legislation	California Water Code 3000 et. seq.
Active Services	Water
Estimated Residential Service Population	241

### 2.0 Formation and Development

#### 2.1 Community Need

Rural residences in Congress Valley began to develop in the late 1800s in step with agricultural development in the area with grapes as a prevailing crop. Accessing reliable groundwater, however, proved challenging due to the underlying soil composition as it was reportedly common for landowners to make several drill attempts at depths of hundreds of feet on their properties before finding a source. High mineral content in the groundwater also required that landowners replace plumbing and irrigation fixtures on a regular basis. These challenges intensified as Congress Valley and the surrounding areas developed with groundwater shortages becoming pervasive by the 1940s during summer months.

#### 2.2 Formation and Initial Development

CVWD's formation was completed in 1949 and directly followed by Napa agreeing to provide annual water supplies so long as the District constructed its own distribution system with an intertie to the City. Towards this end, CVWD voters approved a special assessment in 1950 authorizing the District to sell \$100,000 in bonds to construct an initial distribution system. Napa reciprocated and agreed to a contract with CVWD one year later providing the District with up to 368 acre-feet of potable water annually through 1975. Low assessed

values, however, limited CVWD to selling only \$38,000 in bonds to fund the distribution system to serve the then-estimated population of 80. The substantive result was the construction of an initial distribution system limited to one pump station, two- to four-inch water lines, and two storage tanks with a combined capacity of 15,000 gallons.

### ***2.3 Growth Challenges***

Limited subdivision development beginning in the 1960s led to an influx of new service connections and by 1970 CVWD's service population had nearly doubled to an estimated 150. This growth proved taxing to the distribution system and it began experiencing consistent pressure losses during peak usage periods by the middle of the decade. CVWD responded by contracting with an engineering firm to assess the distribution system and identify possible improvements to improve pressure performance going forward. The engineering firm concluded the distribution system was unable to generate an adequate amount of pressure during peak demand periods due to friction caused by undersized water lines. The study recommended CVWD not allow new service connections until distribution capacity is improved by either replacing and enlarging water lines or requiring each customer to develop their own storage facility to provide adequate pressure. CVWD declared an emergency water shortage following the study's release and adopted an ordinance restricting additional water connections. CVWD also successfully requested the County Board of Supervisors rezone territory located within the District to limit further subdivision; the end result was increasing the minimum lot sizes in the area from 10 to 160 acres.

### ***2.4 New Distribution System***

CVWD's moratorium on new water service connections remained in effect between 1975 and 1989 and ended only when the District completed reconstruction of its distribution system. The new distribution system was financed entirely through a combination grant and low-interest loan from the State of California with existing property tax proceeds providing for repayment. The completion of the new distribution system coincided with implementation of a new water supply agreement with Napa, which had been finalized two years earlier in 1987. This agreement provides CVWD with an annual allocation of 100 acre-feet of potable water through 2017 while limiting service to no more than 140 service connections to parcels of legal record at the time of the agreement. Napa agrees to charge CVWD a water usage fee concurrent with its rate for inside-city customers while charging District customers at a rate specified by the District.<sup>17</sup> Napa is responsible for the complete operation and maintenance of the distribution system. The agreement specifies CVWD shall voluntarily dissolve and turn over all assets to Napa at the conclusion of the agreement. Napa LAFCO has never evaluated the implications of the dissolution of CVWD and is not in any way committed to approving the dissolution.

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<sup>17</sup> CVWD applied a surcharge on water sales between 1987 and 1998. The District ended this practice following a recommendation by an outside consultant that it amend its rate schedule to be identical to the rate charged by Napa to its inside-city customers. (Consultant's recommendation was prompted by a Napa County Grand Jury report highlighting the discrepancy between the two agencies' water rates.)

## 2.5 Previous Municipal Service Review

The Commission’s inaugural municipal service review on CVWD was completed in 2004 as part of a countywide study on water service provision. The municipal service review concluded CVWD was operating efficiently and in a fiscally sound manner with no significant infrastructure needs or deficiencies identified. The municipal service review also noted additional information was needed to substantiate the merit for CVWD to voluntarily seek its own dissolution in June 2017 as part of an earlier water supply agreement with Napa.

## 3.0 Adopted Jurisdictional Boundary

### 3.1 Current Composition

CVWD’s existing jurisdictional boundary is approximately 2.2 square miles in size and covers 1,407 acres. There are currently 115 parcels within the jurisdictional boundary with a total assessed value of \$88.2 million. All jurisdictional parcels have established water service. County Elections reports there are a total of 136 registered voters within CVWD.

<b>CVWD’s Jurisdictional Characteristics</b> (Source: Napa LAFCO)	
Total Jurisdictional Acreage.....	1,407
Total Jurisdictional Parcels.....	115
Percent of Jurisdictional Parcels Connected.....	100%
Registered Voters.....	136
Assessed Value.....	\$88,206,640

### 3.2 Jurisdictional Trends

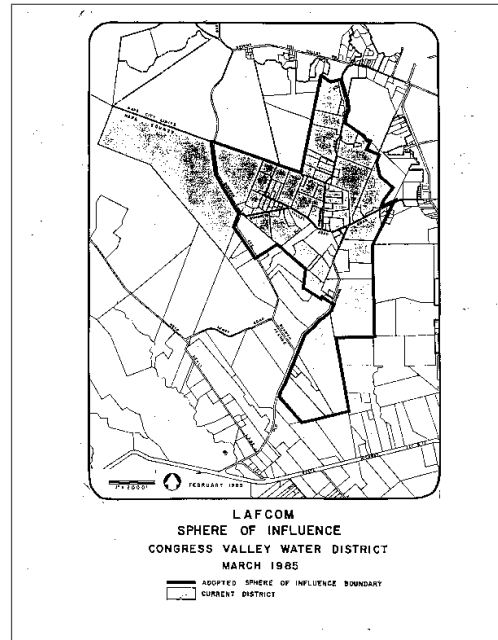
CVWD jurisdictional boundary has remained almost unchanged over the last several decades. The Commission has approved only one boundary change to CVWD since 1963 involving the addition of 11.5 unincorporated acres; an amount representing less than one percent of the current jurisdictional boundary. This lone annexation occurred in 2010 and involved a developed lot located off of Old Sonoma Road.

*The Commission has approved and recorded one annexation to CVWD since 1963 involving 11.5 acres; an amount equaling less than one percent of the current jurisdictional boundary.*

## 4.0 Sphere of Influence

### 4.1 Establishment in 1985

CVWD's sphere was established by the Commission in 1985. The original sphere spanned 1,119 acres or 1.8 square miles and was the result of the Commission emphasizing three planning factors: existing service obligations, the projected distribution system capacity, and need for future service. The original sphere included all existing jurisdictional lands with the exception of two parcels located at the western and southern border of CVWD, which were determined to be outside the range and capacity of the distribution system as it then existed. Certain parcels outside CVWD were also included based on their close proximity to the distribution system.



### 4.2 Update in 2008

The Commission adopted its first comprehensive update to CVWD's sphere in 2008.<sup>18</sup> This update – which was necessitated by the enactment of CKH and its cornerstone requirement that LAFCOs review and update each agency's sphere by 2008 and every five years thereafter – resulted in a net increase to the CVWD's sphere of 491 acres or 44%. The additions to the sphere comprised two distinct areas. The first area – approximately 316 acres in size – consisted of lands already in CVWD that had been previously excluded from the sphere due to the capacity limitations associated with the District's old distribution system. The second area – approximately 175 acres in size – consisted of lands directly adjacent to the distribution system.<sup>19</sup>

### 4.3 Current Composition

CVWD's sphere remains entirely unchanged from the last update completed in 2008 and presently encompasses 2.5 square miles or 1,6102.5 acres. Of this amount, there are a total of four non-jurisdictional parcels covering 172 acres currently within the sphere eligible for annexation or outside service extensions; the latter amount meaning 11% of the sphere acreage remains outside CVWD. A map showing the non-jurisdictional lands already in the sphere and eligible for annexation or outside service extensions is provided as Appendix D.

*There are four parcels covering approximately 172 non-jurisdictional acres in CVWD's existing sphere eligible for annexations or outside service extensions.*

<sup>18</sup> The Commission approved one amendment prior to the 2008 update, but it was later terminated. The approval was made in 1995 and involved two parcels located on the northeast side of Buhman Avenue south of its intersection with Congress Valley Road. Approval was conditioned on the affected property owners entering into an outside service agreement with CVWD. The outside service agreement was not executed within the one year deadline established by the Commission and the amendment was therefore terminated.

<sup>19</sup> All but 37 acres included in the second area added to the sphere were also included in the "service area" established as part of CVWD's contract with Napa in 1987. Accordingly, the Commission also took action as part of the update to formally encourage CVWD and Napa to review their contract and consider amending the defined service area to include the addition of the affected 37 acres located on the hilltop of Old Sonoma Road.



## 5.0 Demographics

### 5.1 Population Growth

CVWD's current and permanent resident population is estimated at 241, representing a 5.2% increase over the last 10 years as summarized below.

Recent Population Growth within CVWD (Napa LAFCO)				
Jurisdiction	2003	2013	Difference	Annual Percentage
CVWD	229	241	12	0.52%

With respect to projections, and for purposes of this review, it is reasonable to assume CVWD's permanent resident population growth rate over the next 10 years within the existing sphere will generally remain extremely low with the addition of no more than five new residences. These assumptions suggest CVWD's permanent resident population growth rate will minimally increase relative to the previous decade, rising from 5.2% to 5.4%. The substantive result of these assumptions would be a permanent resident population of 254 by 2023.

*It is reasonable to assume CVWD's growth rate in permanent residents will be minimal due to the lack of new development expected within its boundary. No more than five new residences are expected within the next 10 years, which if materialized, would increase CVWD's population to 254 by 2023.*

Projected Population Growth within Existing CVWD Sphere (Napa LAFCO)					
Jurisdiction	2013	2018	2023	Difference	Annual Percentage
CVWD	241	247	254	13	0.54%

### 5.2 Population Density

CVWD's population density is estimated at 110 residents for every square mile. This amount is 211% greater than the average density rate for all unincorporated lands while falling 97% below the average density rate for the adjacent community of Napa.

*CVWD's population density is estimated at 110 residents for every square mile.*

### 5.5 Social and Economic Indicators

A review of recent demographic information compiled by the United States Census Bureau indicates CVWD serves a significantly older community given the median age within the District is 52 and is nearly one-third higher than the median rate for all of Napa County. CVWD residents also appear on average to be more likely to be retired and reliant on a fixed income given comparatively low unemployment – 2.4% – coupled with relatively high number of persons' – 10.4% – with incomes below the poverty rate. Other discernible distinctions include nearly one-half of all CVWD residents have a bachelor's degree or higher, an amount nearly double the average rate for all of Napa County.

### Social and Economic Indicators Within CVWD

(American Community Surveys: Five Year Averages Between 2007-2011 / Napa LAFCO)

Category	Northern Area	Southern Area	Weighted Average	Napa County Average
Median Household Income	\$46,917	\$88,409	\$63,514	\$68,641
Owner-Occupied Residences	57.2%	71.2%	62.8%	63.3%
Renter-Occupied Residences	42.8%	28.8%	37.2%	36.7%
Median Housing Rent	\$968	\$861	\$925	\$1,279
Median Age	49.3	55.5	51.8	39.5
Prime Working Age (25-64)	54.8%	57.7%	56.0%	52.9%
Unemployment Rate (Labor)	2.1%	3.9%	2.8%	5.2%
Persons Below Poverty Rate	14.7%	3.9%	10.4%	9.8%
Adults with Bachelor Degrees	46.1%	36.7%	42.3%	28.0%

\* North Area is identified by the Census as Tract No. 200803 and covers approximate 60% of the estimated residents within CVWD. Non-exclusive and includes a small portion of Browns Valley.

\* South Area is identified by the Census as Tract No. 201102 and covers approximately 40% of the estimated residents within CVWD. Non-exclusive and includes small portion of Westwood Hills.

## 6.0 Organizational Structure

### 6.1 Governance

CVWD's governance authority is provided under California Water Code Section 30000 – the County Water District Act (“principal act”) – and empowers the District to provide the following six specific services:

- Treat, store, and distribute water supplies (active)
- Collect, treat, and dispose of sewage, waste, and storm water (latent)
- Drain and reclaim lands (latent)
- Provide fire protection (latent)
- Acquire, construct, and operate facilities ancillary to recreational use of water (latent)
- Generate and sell electric power in connection with a waterworks project (latent)

CVWD has been governed since its formation in 1949 by a five-member Board whom are elected at large or appointed in lieu of candidate filings by the County Board of Supervisors. All Board members serve staggered four year terms with a President and Vice President annually selected among peers. Regular meetings are held on the second Monday of each month at 5:30 P.M. at the Napa County Land Trust's Administrative Office. The current average number of years experience on the Board is \*\*\*\* (information forthcoming)

#### Current CVWD Board Roster

(Provided by CVWD)

Member	Position	Background	Years on Board
Tim Josten	President	Medicine	**
Jeanine Layland	Vice President		**
Cindy Colo	Member		**
Ginger Lee	Member		**
Mary Lou Rushing	Member		**
Average Years of Board Experience			**

CVWD elections are based on a registered resident-voter system. The principal act specifies operations can be financed through user charges, general taxes, and voter-approved assessments.

## 6.2 Administration

CVWD appoints an at-will and part-time District Secretary to oversee all agency activities, including providing accounting services and coordinating service requests with Napa's Water Division. The current District Secretary – Kiersten Bjorkman – has been with CVWD since \*\*\*\* and operates out of a home office. The Water Division serves as General Manager for CVWD with designated staff continuously on-call to respond to reported emergencies. Legal services are provided by Malcolm A. Mackenzie with Coombs and Dunlap.

## 6.3 Organizational Alternatives

As noted above, a service agreement between CVWD and the City of Napa specifies that CVWD will voluntarily dissolve and turn over all assets to Napa at the conclusion of the agreement in 2017. The terms of the agreement cannot accomplish the dissolution; instead the Board of CSWD would have to apply to LAFCO which would approve or deny dissolution under GSC 56375 and 56021. The potential problem with the agreement and its provision for dissolution of CVWD is that the City may lack a legal basis for continuing provision of water service if CVWD is dissolved and if so, LAFCO might not be able to approve the proposed dissolution. The purpose of this discussion is to identify a potential legal issue in the implementation of an important service agreement three years in advance of its implementation date.

The CVWD service area is outside of the City's sphere of influence. Without the existence of CVWD or another public agency to contract with, the area is not eligible to receive water service from the City under an outside service agreement (there is no counter-party for an outside service agreement unless it is each individual landowner receiving water service on the basis of the protection of public health and safety). The Commission could amend the City's sphere of influence to enable extension of outside service. However, the CVWD service area is a low-density rural residential area and therefore might not appropriately be included in the "... **probable boundary** and service area ..." of the City of Napa.

There is some possibility of new legislation that would alter the limitations placed on outside service agreements under GSC 56133, but its effect on the circumstances of CVWD is completely uncertain. Additionally, another government entity (such as a county service area) could be established to replace CVWD and act as the counter-party for a contract for water service with the City, but no advantage can be identified in doing so. Under current law, LAFCO may not be able to approve the dissolution of CVWD as called for in the agreement without being able to designate an appropriate public agency to assume the service responsibilities of CVWD or without another basis for the City's extension of service outside its boundaries.

## 7.0 Municipal Services

CVWD provides one active service at this time: domestic water service. The following analysis focuses on evaluating the availability, demand, and performance of CVWD’s water services relative to the Commission’s assessment of current and anticipated community needs within the existing sphere of influence. This analysis is also oriented to cover a 10-year period; five years back and five years ahead.

*The focus of the preceding analysis is to provide a reasonable and independent “snapshot” of the current availability, demand, and performance of CVWD’s water services.*

### Water Services

CVWD provides water services by way of a contract arrangement for water supplies and delivery with Napa’s Water Division. It is estimated CVWD currently serves an overall permanent resident population of 241.

#### Budget

CVWD operates as an enterprise fund with user charges and other related customer fees explicitly intended to cover 100% of all operating costs. Budgeted operating costs have increased by one-fourth over the last five years – an increase attributable to a one-fourth increase in annual loan payments amounts.

Trends in Budgeted CVWD Operating Expenses						
(Napa / Napa LAFCO)						
Category	2009-10	2010-11	2011-12	2012-13	2013-14	Trend
Adopted Budget	\$56,578	\$67,500	\$67,000	\$71,000	\$71,100	25.7%

#### Water Supplies

CVWD’s water supply is provided through a contract with the City of Napa. As previously stated, Napa’s water supplies are derived from three surface sources: Lake Hennessey, Milliken Reservoir, and the State Water Project. The water supply contract with Napa specifies CVWD is annually allocated a maximum of 100 acre-feet of potable water through July 1, 2017.

CVWD’s Available Water Supplies				
Amounts Shown in Acre-Feet or AF				
(Source: Napa Water Division)				
Water Source	Maximum (Assumes 100%)	Normal (Assumes 59%)	Multiple Dry Year (Assumes 38%)	Single Dry Year (Assumes 26%)
Napa	100	59	38	26

#### Treatment Facilities

CVWD does not own, lease, or operate treatment facilities. Water delivered to CVWD is treated by the City of Napa. As previously referenced, Napa provides treatment of raw water drawn from its three surface sources at separate facilities; all of which are entirely owned and operated by the City and connected through a common distribution system. Although rarely operated all at once due to costs, if necessary the three water treatment plants (WTPs) combined maximum daily output would total 44 million gallons or 135 acre-feet.

### Distribution System and Storage Facilities

CVWD's distribution system receives and delivers potable water generated from Napa's distribution system. CVWD's system consists of 8- to 12-inch water lines that are served by two connection points to Napa's water distribution system at Thompson Road and Stonebridge Drive/Sunset Road. CVWD is located within Napa's "Browns Valley – Zone Four" in which water supply and pressure is served by the City's 1.0 million gallon storage capacity B-Tank.

### Service Connections

CVWD currently reports there are 95 active connections to the water system that are approximately divided between \*\*\*\* residential and \*\*\*\* (information forthcoming) non-residential users. Total connections have remained constant over the last five years despite an overall 2.6% increase in CVWD's permanent resident population. The following table summarizes recent and current service connections.

<b>Trends in Napa's Water Connections</b>					
<small>(Source: Napa Water Division)</small>					
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Trends</b>
95	95	95	95	95	<b>0.0%</b>

### Current Usage

CVWD reports its current total water demand for the last completed calendar year was 52.5 acre-feet. This amount marks an 8.1 acre-foot decrease in annual demand over the last five years and represents an overall 13% water savings. This decrease is further highlighted in the corresponding decline in annual agency-wide per capita water use, which has gone from an estimated 0.26 acre-feet in 2008 to 0.22 acre-feet in 2012. The reduction in water demands appears to be attributable to two factors; (1) the City's water conservation and rebate programs that are also directly applicable to CVWD customers and (2) the expansion of NSD's recycled water service program into lands formerly served only by Napa water.<sup>20</sup> Similar to trends in annual water demand, peak day usage has also decreased over the last five years from 0.33 to 0.29 acre-feet; a difference of 13.4% with the ratio between peak day and average day demand remaining constant at two-to-one. The following table summarizes recent trends in water demands over the last five years.

<b>Recent Trends in CVWD Water Demands</b>						
<small>Amounts Shown in Acre-Feet</small>						
<small>(Source: Napa Water Division)</small>						
<b>Category</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Trends</b>
Annual	60.6	60.7	49.8	45.3	52.5	<b>(13.4%)</b>
Average Day	0.17	0.17	0.14	0.12	0.14	<b>(13.4%)</b>
Average Capita	0.26	0.26	0.21	0.19	0.22	<b>(15.4%)</b>
Peak Day	0.33	0.33	0.27	0.25	0.29	<b>(13.4%)</b>

<sup>20</sup> Pursuant to the water supply contract, CVWD agrees to enact and enforce water conservation programs substantially equivalent in effect to such water conservation programs adopted by Napa.

### Projected Usage

With respect to projecting future demands, and based on the preceding analysis, a reasonable and conservative assumption is to project CVWD's annual water demand increasing by 0.54% over the next five years within the existing sphere of influence. This projection directly corresponds with the amount of new permanent resident population growth anticipated within CVWD's water service area and assumes the current per capita usage – 0.218 acre-feet – remains constant. It is also assumed the current ratio between peak day and average day demands – two-to-one – will remain constant. The corresponding results of these assumptions proving accurate would be a total annual water demand of 54.2 acre-feet with a peak day demand of 0.3 acre-feet in 2018. The following table summarizes projected water demands in CVWD's service area over the next five years. Clearly, drought conditions that may be emerging as this report is being written would be likely to alter water demand temporarily through mandatory restrictions on use. No such restrictions have been directed as of the date of this report.

Projected Trends in CVWD Water Demands							
Amounts Shown in Acre-Feet							
(Source: Napa LAFCO)							
Category	2013	2014	2015	2016	2017	2018	Trends
Annual	52.8	53.1	53.4	53.6	53.9	54.2	2.7%
Average Day	0.14	0.15	0.15	0.15	0.15	0.15	2.7%
Average Capita	0.22	0.22	0.22	0.22	0.22	0.22	0.0%
Peak Day	0.29	0.29	0.29	0.29	0.30	0.30	2.7%

## 8.0 Finances

### *8.1 Assets, Liabilities, and Equity*

CVWD's financial statements are prepared by Certified Public Accountant Charles W. Pillon. The most recent issued report was prepared for the 2011-2012 fiscal year and includes audited financial statements identifying CVWD's total assets, liabilities, and equity as of June 30, 2012. These audited financial statements provide quantitative measurements in assessing CVWD's short and long-term fiscal health and are summarized below.

#### Assets

CVWD's assets at the end of the fiscal year totaled \$1.3 million. Assets classified as current with the expectation they could be liquidated into currency within a year represented three-fourths of the total amount with the majority tied to cash and investments.<sup>21</sup> Assets classified as non-current represented the remaining amount with the largest portion associated with depreciable capital assets.<sup>22</sup>

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Current Assets	721,942	756,152	802,297	855,244	907,337
Non-Current Assets	461,411	437,657	413,903	390,148	366,393
Total Assets	\$1,183,353	\$1,193,809	\$1,216,200	\$1,245,392	\$1,274,730

<sup>21</sup> Current assets totaled \$907,337 and include cash in treasury (\$868,274), taxes receivable (\$19,255), prepaid insurance (\$1,803), and restricted asset – cash – debt service (\$18,005).

<sup>22</sup> Non-current assets totaled \$366,393 and include depreciable assets (\$363,190), and loan administration costs (\$3,203).

### ***Liabilities***

CVWD's liabilities at the end of the fiscal year totaled \$0.1 million. Current liabilities representing obligations owed within a year accounted for nearly one-fifth of the total amount and primarily tied to debt payments due within the fiscal year at \$19,088. Non-current liabilities accounted for the remaining amount with the majority tied to long-term debt at \$110,489.

<b>Category</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
Current Liabilities	24,732	18,834	19,294	19,916	19,088
Non-Current Liabilities	179,001	162,722	145,889	128,495	110,489
Total Liabilities	\$203,733	\$181,556	\$165,183	\$148,411	\$129,577

### ***Equity/Net Assets***

CVWD's equity, or net assets, at the end of the fiscal year totaled \$1.1 million and represents the difference between the District's total assets and liabilities. The end of year equity amount incorporates a \$688,066 balance in unrestricted funds. This unrestricted fund balance is attributed to a seven percent increase in CVWD's cash in treasury over the last fiscal year.

<b>Category</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
Capital Asset Funds	261,317	253,852	246,910	240,521	234,695
Restricted Funds	271,384	258,751	246,298	233,845	221,392
Unrestricted Funds	446,919	499,650	557,809	622,615	688,066
Total Equity	\$979,620	\$1,012,253	\$1,051,017	\$1,096,981	\$1,144,153

CVWD's financial statements for 2011-2012 reflect a positive change in its fiscal standing as its overall equity, or fund balance, increased by four percent. This increase in the overall fund balance is directly attributed to consistent increases in current assets paired with reductions in long-term liabilities over each of the last five years. No significant deficiencies or material weaknesses were identified with respect to CVWD's financial statements.

Calculations performed assessing CVWD's liquidity, capital, and profitability indicate the District finished 2011-2012 with sufficient resources to remain operational into the foreseeable future. Specifically, short-term liquidity remained high given CVWD finished the fiscal year with sufficient current assets to cover its current liabilities nearly 47-to-one.<sup>23</sup> CVWD also finished with manageable long-term debt as its net assets exceeded its non-current liabilities by a ratio of nine-to-one, reflecting a strong capital structure.<sup>24</sup> CVWD also finished the fiscal year with a positive operating margin as revenues exceeded expenses by over one-half.<sup>25</sup> An expanded discussion on revenues-to-expenses is provided in the following section.

<sup>23</sup> CVWD also finished with cash reserves sufficient to cover 21.7 years of operating expenses.

<sup>24</sup> CVWD's debt-to-equity ratio as of June 30, 2012 was 0.11.

<sup>25</sup> CVWD's operating margin as of June 30, 2012 was 0.54.

## 8.2 Revenue and Expense Trends

A review of CVWD's available audited revenues and expenses shows the District has finished each of the last five fiscal years with operating surpluses reflecting a strong and balanced financial structure. The 2011-2012 fiscal year marked the largest end-of-year surplus at \$47,172 and is primarily tied to higher than expected increases in property tax revenues.

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Revenues	95,511	83,039	86,331	94,999	87,964
Expenses	63,861	50,404	47,567	49,034	40,792
	\$31,650	\$32,635	\$38,764	\$45,965	\$47,172

\* All information reflects audited financial statements in CAFRs

## 8.3 Current Budget

CVWD's adopted budget for the 2013-2014 fiscal year totals \$71,100. This amount represents CVWD's total approved expenses or appropriations for the fiscal year. Revenues are budgeted at \$78,815 and primarily expected to be drawn from property tax proceeds. Interest earned on investments represents the second largest revenue source for CVWD accounting for \$6,000 or nearly eight percent of the total budgeted amount. As reflected in the following table, CVWD had sustained an operating surplus in each of the last several years.

CVWD's Budgeted Revenues and Expenses (CVWD)					
2011-2012		2012-2013		2013-2014	
Actual Revenues	Actual Expenses	Actual Revenues	Actual Expenses	Budgeted Revenues	Budgeted Expenses
\$71,745	\$47,000	\$63,283	\$37,540	\$78,815	\$71,100

## 9.0 Agency Specific Determinations

The following determinations address the service and governance factors enumerated for consideration by the Commission under G.C. Section 56430 as well as required by local policy. These factors range in scope from considering infrastructure needs and deficiencies to relationships with growth management policies. The determinations serve as independent conclusions of the Commission on the key issues underlying growth and development within the affected community and are based on information collected, analyzed, and presented in this report and are specific only to CVWD. Determinations for the other agencies in this municipal service review are provided in their corresponding sections.

### 9.1 Growth and Population Projections

- a) CVWD's permanent resident population growth rate over the next 10 years within the existing sphere will generally remain extremely low with the addition of no more than five new residences. These assumptions suggest CVWD's permanent resident population growth rate will minimally increase relative to the previous decade, rising from 5.2% to 5.4%. The substantive result will be an estimated permanent resident population of 254 by 2023.



**9.2 *Present and Planned Capacity of Congress Valley Water District Public Facilities, Adequacy of Public Services and Infrastructure Needs of Deficiencies.***

- a) The City of Napa provides water service on a contractual basis within the CVWD service area. The City and the District have agreed that the City's role in providing service will extend beyond the District's planned dissolution in 2017. The District's water distribution system has been improved to the City's standards in recent years. The City's sources of supply are sufficient to continue to provide service to the District's service area and other areas served by the City.

**9.2 *Financial Ability to Provide Services***

- a) Water rates charged by the City of Napa within the CVWD service area are equal to the City's rates for customers in the City's jurisdiction and are sufficient to support the District's operating expenditures into the immediate future.
- b) The District has finished each of the last five fiscal years with operating surpluses reflecting a strong and balanced financial structure. The 2011-2012 fiscal year marked the largest end-of-year surplus at \$47,172 and is primarily tied to higher than expected increases in property tax revenues.

**9.3 *Status and Opportunities for Shared Facilities***

- a) CVWD shares facilities and services with the City of Napa, which operates all CVWD facilities under contract with CVWD.

**9.5 *Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies***

- a) The City of Napa provides water service within the CVWD service area. There are no alternative sources of water service available to CVWD. The CVWD Board of Directors does not control provision of water service within its boundaries beyond the terms of their agreement with the City of Napa. Like all other water customers in unincorporated areas served by the City of Napa, CVWD residents are not eligible to run for office or vote in elections in the City of Napa. The CVWD governing board can work with the City of Napa as a locally elected organization on behalf of its residents on an advocacy basis.

**9.6. *Location and Characteristics of Any Disadvantaged Unincorporated Communities within or Contiguous to the Existing Spheres of Influence.***

- a) A review of available economic data compiled as part of the most recent American Communities Survey does not identify any distinct areas within CVWD's existing sphere of influence meeting the definition of a disadvantaged unincorporated community.

**9.7. *Relationship with Regional Growth Goals and Policies (Local Policy)***

- a) Special districts have no authority over land use and hence no direct participation on the policy level that would connect the activities of the district with regional growth. NSD's policies specifically state that the District will neither act to encourage or discourage growth, but will facilitate growth as planned by agencies responsible for growth policy.

## D. Silverado Community Services District

### 1.0 Overview

The Silverado Community Services District (SCSD) was formed in 1967 and originally authorized to provide a full range of municipal services to the Silverado area, consisting largely of a planned resort community located northeast of the City of Napa. Services actually activated following formation, however, were limited to water, street lighting, street sweeping, and landscape maintenance services. SCSD ceased providing water in 1977 when Napa purchased and assumed full control of the District's water distribution system. SCSD expanded its services in 2010 with the approval of the Commission to include sidewalk improvements and maintenance; activities previously the responsibility of property owners.

SCSD currently has an estimated permanent resident service population of 1,321 within an approximate 1.8 square mile jurisdictional area. Given the majority of the community is used as vacation/second homes, it is estimated the resident service population more than doubles to 2,829 when fully occupied. An additional 870 guests add to the overnight population when the Silverado Resort is fully occupied.<sup>26</sup>

#### Silverado Community Services District

Date Formed	1967
Enabling Legislation	Government Code 6100 et. seq.
Active Services	Street Lighting Street Sweeping Street Landscaping Sidewalk Improvements
Estimated Residential Service Population	1,321 (year-round) 2,829 (with second homes)

SCSD is presently organized as a dependent special district with the County Board of Supervisors serving as the official governing authority. However, and as provided under the principal act, the Board of Supervisors has established a municipal advisory committee (MAC) consisting of appointed registered voters to provide input and – in some areas – assume decision-making authority. County Public Works provides administrative services on behalf of SCSD and oversees all contracts with outside vendors for authorized services. The current operating budget is \$186,192. SCSD's current unrestricted/unreserved fund balance is \$60,159 and is sufficient to cover nearly four months of general operating expenses.

### 2.0 Formation and Development

#### 2.1 Community Need

Silverado was relatively undeveloped with the exception of a small number of adobe residential structures dating back to the early 1800s. A large residential estate was later built and served exclusively as a residence for various owners until it was purchased in the early 1950s by the Markovich Family for purposes of developing an 18-hole golf course on the surrounding grounds. The golf course was completed by the end of the decade and the residence converted to a clubhouse. The Markovich Family later sold the property – which at this date included the clubhouse and golf course – to Westgate Factors in early 1966 in anticipation of submitting a development plan with the County for subdivision of the remaining grounds into single-family residences. The subsequent development plan was approved by the County later the same year and provided for the construction of 1,393 private residential units. At the time of development, residential units were expected to be evenly divided between fulltime and seasonal occupancy along with the addition of extensive

<sup>26</sup> The Silverado Resort currently includes 435 overnight guestrooms.

commercial uses anchored by a year-round guest resort. The existing golf course was also reconfigured as part of the development plan to include two separate 18-hole sites: “North Course” and “South Course.”

## ***2.2 Formation Proceedings***

SCSD’s formation was approved by the Commission in January 1967 to facilitate the planned development of the Silverado area. The District was initially authorized to provide a wide range of municipal services including by water, sewer, and fire protection. Actual services activated following formation, however, were limited to water, street lighting, street sweeping, and landscape maintenance services. Sewer service was extended to the community through subsequent annexations to NSD as phases of the development were completed. As part of the formation proceedings, the County Board of Supervisors agreed to serve as the initial governing body of the District and assign Department Public Works staff to oversee service delivery within SCSD by entering into contracts with outside providers.<sup>27</sup> This included entering into an agreement with the City of Napa to furnish potable water supplies by means of an intertie between the two agencies’ distribution systems. This contract was later amended in 1970 to allow the City to assume full control of the water distribution system within SCSD.

## ***2.3 Development Activities***

Silverado’s planned development commenced in phases beginning in the late 1960s. Ten years after SCSD’s formation, there were an estimated 700 private residential units divided between single-family residences and condominiums with a projected fulltime resident population of 910. The Silverado Resort and its 435 guestrooms had also been constructed and officially opened in 1967. Subsequent revisions to the original development plan – which has changed twice over the last two decades – were approved at the request of the landowners and have reduced the total number of private residential units permitted for development from 1,393 to 1,095.

## ***2.5 Previous Municipal Service Review***

The Commission’s inaugural municipal service review on SCSD was completed in 2005 as part of a countywide lighting and landscaping services study. The municipal service review concluded SCSD appeared to be operating efficiently and in a fiscally sound manner with no significant infrastructure needs or deficiencies identified. The municipal service review also noted the unique governance structure of SCSD with the Board of Supervisors serving as the District Board while ultimately concluding the arrangement – while not traditional for these types of special districts – appears satisfactory given the active involvement of the MAC.

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<sup>27</sup> Records also indicate the Napa County Flood Control and Water Conservation District provided staffing services on behalf of SCSD.

### 3.0 Adopted Jurisdictional Boundary

#### 3.1 Current Composition

SCSD’s existing jurisdictional area is approximately 1.8 square miles in size or about 1,159 acres. Average parcel size within the District is approximately 1.0 acre. The jurisdictional boundary is nearly at build-out based on local records showing only five privately owned parcels spanning 46 acres that remain undeveloped.<sup>28</sup> Since the District’s governing board (the County Board of Supervisors) is not directly elected by voters in SCSD, registered voter statistics for the District are unavailable. The District’s revenues are derived from special assessments and are not based on the assessed value of property. SCSD does not participate in the 1% general property tax.

SCSD’s Jurisdictional Boundary Characteristics	
(Source: Napa LAFCO)	
Total Jurisdictional Acreage.....	1,159
Total Jurisdictional Parcels.....	1,158
Percent of Jurisdictional Boundary Developed.....	96%
Registered Voters.....	(not applicable)
Assessed Value.....	(not applicable)

#### 3.2 Jurisdictional Trends

SCSD’s jurisdictional boundary has remained relatively constant over the last several decades. The Commission has approved only one boundary change since formation involving the addition of 28 acres, an amount representing less than three percent of the current jurisdictional boundary. This lone annexation occurred in 1990 and involved 35 residential parcels located off of Silver Trail.

*The Commission has approved and recorded one annexation to SCSD since its formation involving 28 acres; an amount equaling less than three percent of the current jurisdictional boundary.*

### 4.0 Sphere of Influence

#### 4.1 Establishment

SCSD’s sphere of influence was established by the Commission in 1976. The original sphere spanned 1,131 acres or 1.8 square miles and included SCSD’s entire jurisdictional area.

#### 4.2 Update in 2006

The Commission adopted its first comprehensive update to SCSD’s sphere in 2006.<sup>29</sup> This update – necessitated by the earlier enactment of CKH and its requirement that LAFCOs review and update each agency’s sphere by 2008 and every five years thereafter – resulted in the Commission affirming SCSD’s sphere designation with no changes.

<sup>28</sup> There are also 57 undeveloped lots within SCSD that are corporate or non-profit owned.

<sup>29</sup> The Commission approved one amendment prior to the 2006 update involving the current annexation of approximately 28 acres located off of Silver Trail in 1990.

### 4.3 Current Composition

SCSD's sphere remains entirely intact from the last update completed in 2006 and is coterminous with the District's jurisdictional boundary. Accordingly, there are no parcels outside the District's boundary that are currently eligible for annexation or outside service extensions absent a public health or safety threat. A map of the District's current boundary is included as Appendix E.

*SCSD's sphere is coterminous with its jurisdictional boundary.*

## 5.0 Demographics

### 5.1 Population Growth

SCSD's current permanent resident population is estimated at 1,321.<sup>30</sup> (It is estimated there are a total of 2,829 residents in SCSD when accounting for both primary and second-home residences.) This estimate of permanent residents represents an overall projected growth rate of 1.2% over the last 10 year period or 0.1% annually. All of the new population growth within SCSD is directly attributed to the conversion of six residential units from secondary to primary use based on a comparison of earlier landowner records compiled by Commission staff. The overall estimate of permanent residents in SCSD currently represents 5.0% of the total County unincorporated population.<sup>31</sup>

#### Recent Permanent Population Growth within SCSD

(Napa LAFCO)

Jurisdiction	2003	2013	Difference	Annual Percentage
SCSD	1,305	1,321	16	0.1

With respect to projections, and for purposes of this review, it is reasonable to assume SCSD's permanent resident population over the next 10 years within the existing sphere will incrementally increase consistent with the last decade. This presumption – if accurate – would draw on a matching number of conversions of existing residential units from secondary to primary used and result in a permanent resident population within SCSD of approximately 1,336 by 2023.

*It is reasonable to assume SCSD's growth rate in permanent residents will be minimal and follow recent patterns over the last 10 years. This assumption would result in a total permanent resident population within SCSD of 1,337 by 2023.*

#### Projected Permanent Population Growth within SCSD

(Napa LAFCO)

Jurisdiction	2013	2018	2023	Difference	Annual Percentage
SCSD	1,321	1,329	1,337	16	0.1

<sup>30</sup> This estimate is based on the total number of developed residential parcels (508) within SCSD that have matching situs and mailing addresses according to current Assessor Office records.

<sup>31</sup> The estimated resident population within the entire unincorporated area is 26,609 as of January 1, 2013.

## 5.2 Population Density

SCSD's population density is estimated at 739 permanent residents per square mile. (Density increases to 1,572 when accounting for both primary and secondary residences.) This amount exceeds the average density rate for the entire unincorporated area of Napa County by twenty-fold while falling 83% below the average density rate for the City of Napa.

*SCSD's population density is estimated at 739 residents for every square mile.*

## 5.3 Social and Economic Indicators

A review of recent demographic information compiled by the United States Census Bureau indicates SCSD serves a significantly wealthier community given the median household income is \$151,000 and is more than double the median household income for all of Napa County. SCSD residents are also predominately homeowners with less than one-fifth currently renting. Further, residents are older with greater educational attainment than the population of the County as a whole based on a median age rate of 63 and a bachelor's degree completion rate of 70%.

Social and Economic Indicators within SCSD (American Community Surveys: Five Year Averages Between 2007-2011 / Napa LAFCO)		
Category	SCSD	County Average
Median Household Income	\$151,000	\$68,641
Owner-Occupied Residences	82.8%	63.3%
Renter-Occupied Residences	17.2%	36.7%
Median Housing Rent	n/a	\$1,279
Median Age	63.1	39.5
Prime Working Age (25-64)	43.6	52.9%
Unemployment Rate (Labor)	6.4%	5.2%
Persons Below Poverty Rate	0.0%	9.8%
Adults with Bachelor Degrees	70.0%	28.0%

\* SCSD's jurisdictional boundary lies entirely within a stand-alone census designated place, Silverado CDP

## 6.0 Organizational Structure

### 6.1 Governance

SCSD's governance authority is provided under the Community Services District Act of 2006 ("principal act") and empowers the District to provide a full range of municipal services with the notable exception of exercising land use control.<sup>32</sup> The following list identifies the most common services community service districts are authorized to provide under the principal act with accompanying notations – active or latent – with regards to SCSD.

- Acquire, construct, improve, maintain and operate street lighting (active)
- Acquire, construct, improve, maintain, and operate street landscaping (active)
- Provide street cleaning (active)
- Acquire, construct, improve, and maintain streets, roads, bridges, curbs, drains, and sidewalks (active specific to sidewalks only)

<sup>32</sup> The principal act was originally enacted in 1951.

- Treat, store, and distribute water supplies (latent)
- Collect, treat, and dispose of sewage and storm water (latent)
- Drain and reclaim lands (latent)
- Provide police protection (latent)
- Provide fire protection (latent)
- Acquire, construct, improve, and operate recreation facilities and related services (latent)
- Collect, transfer, and dispose of solid waste (latent)
- Provide for the prevention, abate, and control of vectors and vector diseases (latent)
- Provide animal control services (latent)

SCSD has been governed since its formation in 1967 as a dependent special district with the County Board of Supervisors serving as its governing body. This arrangement – which is relatively unusual among community services districts – results in SCSD residents only electing one of the five District Board members given County Supervisors are elected by district. Regular meetings of the District Board are held quarterly on the first Tuesday of each applicable month and during scheduled adjournments of the Board of Supervisors at the County Administration Building. A current listing of Board members along with respective years experience follows.

<b>Current SCSD Board Roster</b> (Provided by SCSD)			
<b>Member</b>	<b>Position</b>	<b>Background</b>	<b>Years on Board</b>
Brad Wagenknecht	President	Educator	14
Mark Luce	Vice President	Chemical Engineer	7
Keith Caldwell	Member	Public Safety	5
Diane Dillon	Member	Attorney	10
Bill Dodd	Member	Business	12
<i>Average Years of Board Experience</i>			<i>10</i>

SCSD elections are based on a registered resident-voter system. The principal act specifies operations can be financed through user charges, general taxes, and voter-approved assessments.

As referenced in the preceding sections, SCSD has established a municipal advisory committee (MAC) to assist and the inform the Board's decisions with respect to District finances, policies, programs, and operations. The SCSD MAC includes 33 members, each of whom are appointed by a corresponding homeowner association within Silverado. SCSD MAC holds regular quarterly meetings open to the public on the third Friday at the Silverado Clubhouse. While not exercising any independent authority, in practice the SCSD MAC has significant influence with their recommendations generally followed by the Board of Supervisors acting as the SCSD Board. A current listing of SCSD MAC members follows.

<b>Current SCSD MAC Roster</b> (Provided by SCSD)		
<b>Category</b>	<b>Member</b>	<b>Member</b>
A Cottages	Joe Russoniello	John Davis
B/C Cottages	Veronica Faussner	Marlene Kniveton
D Cottages	Thomas Fine	Paula Schultz
OCE	Robert Andresen	Tony Marko
Fairways	A. Robert Fisher	Mary Sandbulte
Creekside	Ella Gates	Eleanor Kimbrough
Silverado Oaks	Vanessa Braun	Don Russell
Unit 1	Linda Hewitt	Leandra Stewart
Units 2 A/B/C	Andy Kirmse	Christine Marek
Unit 4	Bill Trautman	John Hagerty
Units 5 A/B	Bill Jovick	Cathy Enfield
Silver Trail	Deenie Woodward	Dr. Glen Duncan
Springs	Bob Butler	Don Peterson
The Grove	Harry Matthews	Wayne Mohn
Silverado Crest	Howard Wahl	Paul Roberts
Silverado Highlands	Jim Wilson	Peter Young
SCC Resort	John Evans	

\* Information regarding members' years experience serving on SCSD MAC not available

## **6.2 Administration**

SCSD contracts with the County for administrative services with the Department of Public Works providing the majority of management duties and supplemented as needed by the Auditor and County Counsel's Offices. Accordingly, the County Public Works Director formally serves as SCSD General Manager and is responsible for overseeing all day-to-day activities ranging from coordinating service provision with contracted vendors to addressing constituent inquiries. Other administrative duties performed by Public Works include budgeting and purchasing. It is estimated Public Works staff collectively dedicates the equivalent of 0.25 fulltime employees to SCSD administrative activities.

## **6.3 Organizational Alternatives**

The services provided to the Silverado community by SCSD will continue to require the continuation of a special tax and the programming of maintenance and improvement activities in the specific area defined by the District's boundary. The current reliance on the County Board of Supervisors and the County Department of Public Works for governance and operations functions is aimed at minimizing overhead costs of District activities, including the cost of elections. The relationship between the County Board and the District's Municipal Advisory Council appears to function smoothly. If there lacked a high level of agreement on the allocation of district resources and/or dissatisfaction with the implementation of the community's service priorities expressed by the MAC, the obvious organizational alternative would be to revert to the standard operation of the district as an independently governed district with a locally elected and independent governing board as is the case with most community services districts in California.



## 7.0 Municipal Services

SCSD currently provides four active services: street lighting; street sweeping; landscape maintenance; and sidewalk improvements and maintenance. The following analysis focuses on evaluating the availability, demand, and performance these active services relative to the Commission's assessment of current and anticipated community needs within the existing sphere of influence and potential for expansion. This analysis is also oriented to cover a 10-year period; five years back and five years ahead.

*The focus of the preceding analysis is to provide a reasonable and independent "snapshot" of the current availability, demand, and performance of SCSD services.*

### *Description of Services*

SCSD's provision of improvement and maintenance services typically involves the general maintenance of streets and sidewalks, landscaping and appurtenant facilities. This includes the repair, removal, or replacement of damaged landscaping and appurtenant facilities that are vital to the life, health, and beauty of the Silverado community.<sup>33</sup> SCSD also furnishes water for landscaping irrigation purposes. Maintenance of SCSD's public lighting facilities, however, is provided by Pacific Gas and Electric ("PG&E").<sup>34</sup>

SCSD reports its annual activities relating to improvements and repairs are generally provided as needed and thus regular periodic measurements of service trends are not included in this report given they may prove inaccurate or misleading. Project or service requests are proposed by the SCSD MAC and administratively processed by the Public Works. This includes selecting a contract vendor to implement the phases of the project.

### *Recent Expansion of Services*

In 2009, LAFCO approved a proposal from SCSD for the activation of latent powers allowing the District to provide services relating to the improvement and maintenance of sidewalks, walking paths, and incidental works. This action was requested by SCSD MAC for purposes of improving the safety of sidewalk and walking path users within District boundaries.<sup>35</sup>

### *Special Tax*

SCSD levies an annual special tax on each parcel within the District in a manner paralleling ad valorem property taxes for purposes of funding the costs associated with the District's operations. For each fiscal year, SCSD determines the total tax requirement for the District based on the required level of services to be provided. The total tax requirement cannot exceed the established maximum tax for a given fiscal

<sup>33</sup> SCSD most commonly provides landscaping services in the form of cultivation, irrigation, trimming, spraying, fertilizing, and treating for disease or injury. SCSD also provides the removal of trimmings, rubbish, debris, and other solid waste.

<sup>34</sup> A monthly fee is paid to PG&E for the maintenance of street lights and the electric energy used in their operation.

<sup>35</sup> Due to budgetary constraints, sidewalks and walking paths within Napa County are not maintained by the County unless they are located on, or adjacent to, property owned or leased by the County. The sidewalks and walking paths within SCSD are utilized by District residents, guests of the Silverado Country Club and Resort, and the Napa County community at large.

year.<sup>36</sup> Once the total tax requirement has been determined, SCSD sets the special tax rate for each category of parcel. The following table shows trends in SCSD's maximum tax amounts along with corresponding changes in the CPI for the San Francisco Bay Area for each of the last 10 fiscal years.

SCSD Maximum Tax (Provided by SCSD)			
Fiscal Year	CPI	% Change	Maximum Tax
2012-2013	236.9	3.0	\$150,019.00
2011-2012	230.0	1.7	\$145,649.78
2010-2011	226.1	1.8	\$143,220.39
2009-2010	222.2	1.2	\$140,700.44
2008-2009	219.6	2.8	\$139,082.96
2007-2008	213.7	3.2	\$135,331.22
2006-2007	207.1	2.9	\$131,158.96
2005-2006	201.2	1.6	\$127,422.41
2004-2005	198.1	0.2	\$125,459.15
2003-2004	197.7	3.3	\$125,205.82

Each parcel in SCSD is assigned to one of six special tax categories based upon the property's development intensity: vacant residential lots are assigned one tax unit; condominiums and single family residences with limited services are assigned two units; properties on Silver Trail are assigned two and one-half units; and single family residences with full service are assigned four units. The remaining amount is apportioned among the seven large, vacant land parcels, including the Silverado Resort, based on their acreage. The following table shows the special tax rate per parcel for each category.

SCSD Maximum Tax (Provided by SCSD)	
Parcel Category	Special Tax Rate
A	15.64% of Total Tax Requirement*
B	\$39.08
C	\$78.16
D	\$78.16
E	\$97.70
F	\$156.32

\* Ordinance No. T-1, page 3, section (d) indicates the Category A tax will be decreased in the same proportion that the Divisor for the year has decreased from the Divisor for the previous fiscal year until the percentage is decreased to 15% and will remain

## 8.0 Finances

### 8.1 Assets, Liabilities, and Equity

SCSD's financial statements are prepared by Gallina LLP. The most recent issued report was prepared for the 2011-2012 fiscal year and includes audited financial statements identifying SCSD's total assets, liabilities, and equity as of June 30, 2012. These audited financial statements provide quantitative measurements in assessing SCSD's short and long-term fiscal health and are summarized as follows.

<sup>36</sup> The maximum tax was set at \$100,000 for the 1997-1998 fiscal year. The maximum tax increases annually by the percentage increase in the Consumer Price Index (CPI) for the San Francisco Bay Area (all urban consumers). No adjustments are made to the maximum tax for decreases in the Consumer Price Index.

### ***Assets***

SCSD's assets at the end of the fiscal year totaled \$88,959. Assets classified as current with the expectation they could be liquidated into currency within a year represented nearly the entire total amount and are tied to cash and investments.<sup>37</sup> Assets classified as non-current represented the remaining amount and are associated with special assessments.<sup>38</sup>

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Current Assets	53,732	69,630	76,934	99,905	86,888
Non-Current Assets	65	2,255	2,816	2,201	2,071
Total Assets	\$53,797	\$71,885	\$79,750	\$102,106	\$88,959

### ***Liabilities***

SCSD's liabilities are all considered current and totaled \$16,920 at the end of the fiscal year. Current liabilities consist solely of accounts payable.

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Current Liabilities	2,308	3,671	6,591	30,049	16,290
Non-Current Liabilities	---	---	---	---	---
Total Liabilities	\$	\$3,671	\$6,591	\$30,049	\$16,290

### ***Equity/Net Assets***

SCSD's equity, or net assets, at the end of the fiscal year totaled \$72,039 and represents the difference between the District's total assets and liabilities. The end of year equity amount comprises only non-spendable or restricted funds.<sup>39</sup>

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Capital Asset Funds	4,418	9,512	15,303	---	---
Restricted Funds	870	870	870	72,057	72,039
Unrestricted Funds	46,201	57,832	56,986	---	---
Total Equity	\$51,489	\$68,214	\$73,159	\$72,057	\$72,039

SCSD's financial statements for 2011-2012 reflect the District experienced a positive change in its fiscal standing as its overall equity, or fund balance, increased by three-fourths. This increase in the overall fund balance is directly attributed to a one-fifth reduction in capital expenditures over the prior fiscal year. No significant deficiencies or material weaknesses were identified with respect to SCSD's financial statements.

Calculations performed assessing SCSD's liquidity, capital, and profitability indicate the District finished 2011-2012 with sufficient resources to remain operational into the foreseeable future. Specifically, short-term liquidity remained high given SCSD finished the fiscal year with sufficient current assets to cover its current liabilities over five-to-one. SCSD finished the fiscal year with no long-term debt and a neutral operating margin as revenues and expenses were nearly identical.<sup>40</sup>

<sup>37</sup> Current assets consist solely of cash investments and totaled \$86,888.

<sup>38</sup> Non-current assets consist solely of special assessments and totaled \$2,071.

<sup>39</sup> SCSD no longer maintains an unrestricted fund balance.

<sup>40</sup> SCSD's operating margin as of June 30, 2012 was (0.0001).

## 8.2 Revenue and Expense Trends

A review of SCSD's audited revenues and expenses shows that the District has finished three of the last five completed fiscal years with operating shortfalls with the largest deficit occurring in the 2007-2008 fiscal year at (\$13,764). The 2008-2009 fiscal year marked the largest end-of-year surplus at \$16,725 and is primarily tied to an increase in charges for services from the prior year. An expanded review of SCSD's audited end-of-year revenues and expenses in the two fund categories follows.

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Revenues	105,611	128,495	126,085	126,197	126,745
Expenses	119,375	111,770	121,140	127,299	126,763
	(13,764)	16,725	4,945	(1,102)	(18)

\* All information reflects audited financial statements in CAFRs

## 8.3 Current Budget

SCSD's adopted budget for the 2013-2014 fiscal year totals \$186,192. This amount represents SCSD's total approved expenses or appropriations for the fiscal year. Revenues are budgeted to match expenses at \$186,192 and are to be drawn from charges for services. Interest earned on investments represents the second largest revenue source for SCSD accounting for less than one percent of the total budgeted amount. As reflected in the following table, SCSD has maintained a balanced budget in each of the last several years.

SCSD's Budgeted Revenues and Expenses (SCSD)					
2011-2012		2012-2013		2013-2014	
Actual Revenues	Actual Expenses	Budgeted Revenues	Budgeted Expenses	Budgeted Revenues	Budgeted Expenses
\$126,745	\$126,763	\$194,301	\$194,301	\$186,192	\$186,192

## 9.0 Agency Specific Determinations

The following determinations address the service and governance factors enumerated for consideration by the Commission under G.C. Section 56430 as well as required by local policy. These factors range in scope from considering infrastructure needs and deficiencies to relationships with growth management policies. The determinations serve as independent conclusions of the Commission on the key issues underlying growth and development within the affected community and are based on information collected, analyzed, and presented in this report and are specific only to SCSD. Determinations for the other agencies in this municipal service review are provided in their corresponding sections.

### 9.1 Growth and Population Projections

- a) SCSD's permanent resident population over the next 10 years within the District's existing sphere of influence will increase primarily due to conversions of existing residential units from secondary to primary used and result in an increase in permanent resident population of approximately 1,336 by 2023.

## ***9.2 Present and Planned Capacity of Silverado Community Services District's Public Facilities, Adequacy of Public Services and Infrastructure Needs of Deficiencies.***

- a) Sidewalk facilities within the District are undergoing repair and improvement. Other maintenance activities are conducted on an as-needed basis at the direction of the District's Municipal Advisory Committee. Charges for street lighting and lighting maintenance are paid to Pacific Gas and Electric Company. The District has not identified specific deficiencies in infrastructure requiring action beyond periodic maintenance.

## ***9.3 Financial Ability to Provide Services***

- a) The District has finished three of the last five completed fiscal years with operating shortfalls with the largest deficit occurring in the 2007-2008 fiscal year at (\$13,764).
- b) Calculations performed assessing SCSD's liquidity, capital, and profitability indicate the District finished 2011-2012 with sufficient resources to remain operational into the foreseeable future. Short-term liquidity remained high given SCSD finished the fiscal year with sufficient current assets to cover its current liabilities over five-to-one. SCSD finished the fiscal year with no long-term debt and a neutral operating margin as revenues and expenses were nearly identical.

## ***9.4 Status and Opportunities for Shared Facilities***

- a) SCSD shares facilities and services with the County of Napa, which both governs SCSD as a dependent special district and operates SCSD facilities under various contracts with private vendors. The purpose of these arrangements for governance and provision of service is cost efficiency gained from elimination of election costs and the ability to provide service on an as-needed, contractual basis rather than through permanent staff.

## ***9.5 Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies***

- a) The Napa County Board of Supervisors and County Department of Public Works provides all District services within the SCSD service area at the direction of the SCSD Municipal Advisory Committee (MAC), which is composed of seventeen members representing small sub-areas within SCSD. Although the District is formally governed by the County Board of Supervisors, governance authority could alternatively revert to an independent board similar to nearly all other community services districts in California by election.
- b) The District's existing form as a dependent special district is aimed at maximizing efficiency through the use of County DPW staff and avoidance of election costs. The efficacy of the existing governance arrangement depends on low cost and the County's responsiveness to the direction the SCSD MAC. There are alternative sources of both governance and service available to the Silverado community if the County's performance with respect to the maintenance of streets, sidewalks, paths and landscaping were to fall short of community expectations.

***9.6. Location and Characteristics of Any Disadvantaged Unincorporated Communities within or Contiguous to the Existing Spheres of Influence.***

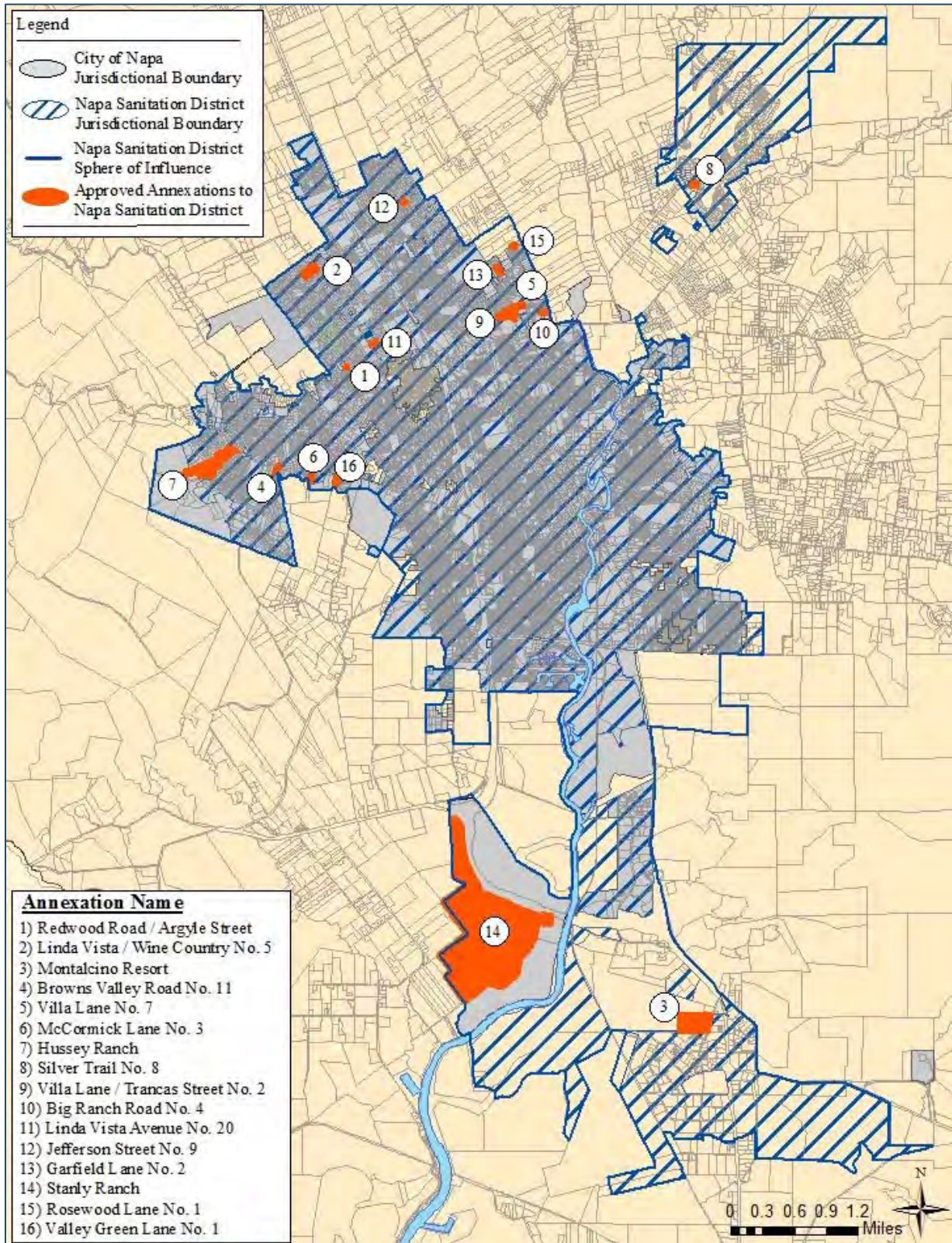
- a) A review of available economic data compiled as part of the most recent American Communities Survey does not identify any distinct areas within Napa's existing sphere of influence meeting the definition of a disadvantaged unincorporated community.

***9.7. Relationship with Regional Growth Goals and Policies (Local Policy)***

- a) Special districts have no authority over land use and hence no direct participation on the policy level that would connect the activities of the district with regional growth. NSD's policies specifically state that the District will neither act to encourage or discourage growth, but will facilitate growth as planned by agencies responsible for growth policy.

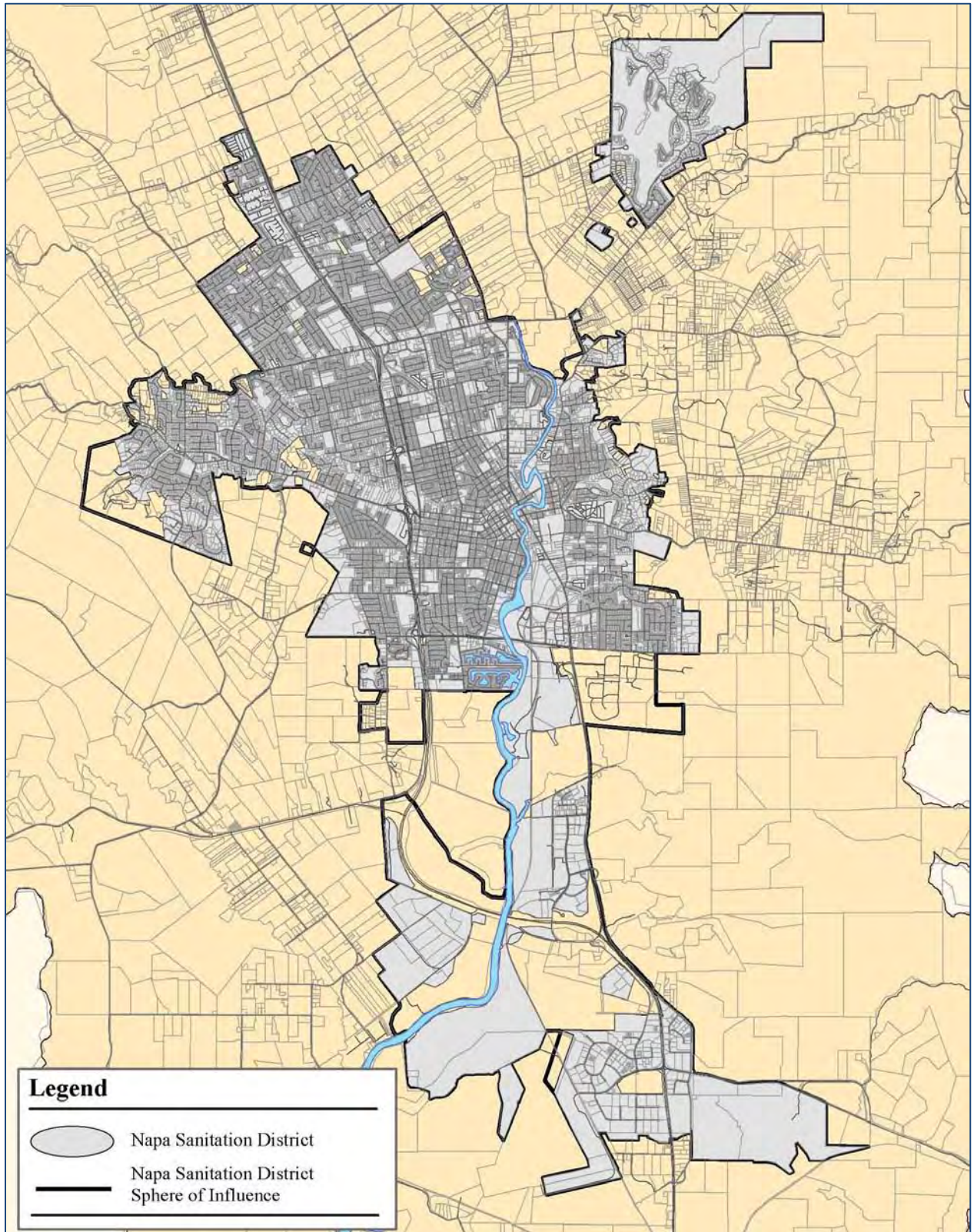
## APPENDIX B

### RECENT ANNEXATION APPROVALS TO NSD



## APPENDIX C

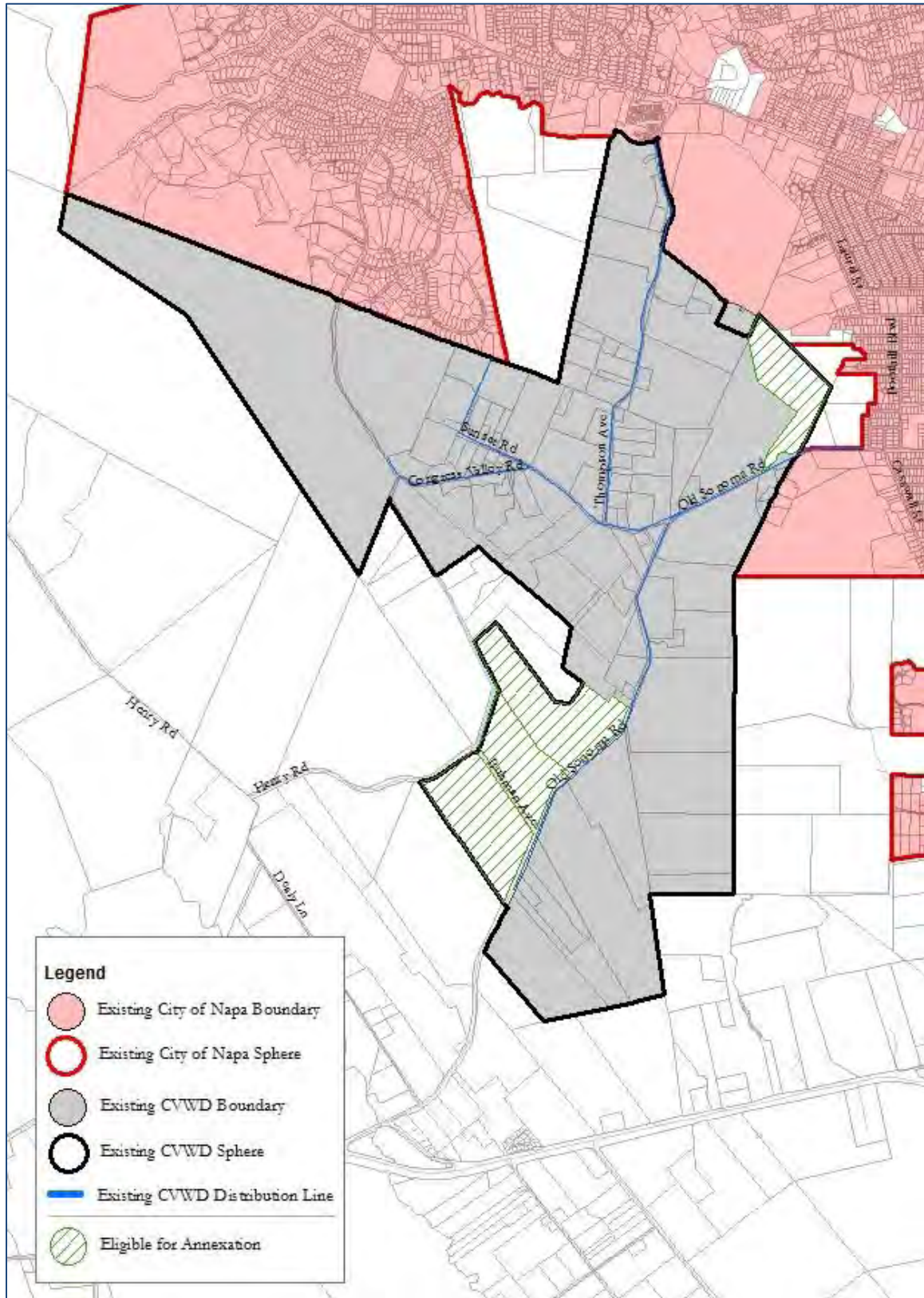
### NSD CURRENT BOUNDARY AND SOI





## APPENDIX D

### CVWD CURRENT BOUNDARY AND SOI



## APPENDIX E

### SCSD CURRENT BOUNDARY AND SOI

