



Staff Reports

File #: 832-2017, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Jacques R. LaRochelle, Public Works Director

Prepared By: Phil Brun, Deputy Public Works Director

TITLE:

Water Supply Contract with Congress Valley Water District

RECOMMENDED ACTION:

Approve the first Amendment to the Water Supply Contract with the Congress Valley Water District (City Agreement No. 5387), authorize the Public Works Director to execute the Amendment on behalf of the City, and determine that the Amendment is exempt from CEQA.

DISCUSSION:

The City has supplied water to the Congress County Water District (commonly known as the "Congress Valley Water District") since 1951. The current Contract (City Agreement No. 5387) was executed in 1987 and expires on July 1, 2017 (Attachment 1). The base terms of the Contract include water supply, direct billing to District customers at the Inside City water rate, a cap on the quantity of water supplied annually and number of properties served, an established boundary where service is available and the requirement that the City operate, maintain and later replace all infrastructure. In 1987, the District installed new distribution pipelines throughout the service area and the City paid to oversize some of the lines from 8-inch to 12-inch since City water is wheeled through the District pipelines within the Browns Valley pressure zone (see Attachment 2).

The current Contract anticipated that the District would initiate proceedings to dissolve the District during year 30 of the Agreement. Over the last year, the District, City and LAFCO have engaged in discussions related to the District; however no action to initiate dissolution has been taken. At the February 2017 meeting, LAFCO directed its staff to conduct a Municipal Service Review for the Congress Valley Water District (see Agenda Item 8a from February 6, 2017 LAFCO meeting for additional details). In the next few years, the City will be conducting a General Plan update. A short term extension of the Contract, five years, seemed appropriate to allow these and other actions to occur.

The original Contract allows the City to deliver up to 100 acre-feet of water to the District for a maximum of 140 service connections within a specified service area. In 2016, the City provided the District 42 acre-feet of water for 99 active connections. No changes to the maximum amount of water to be delivered, the maximum number of service connections or the service area are proposed in the Amendment.

In addition to adding five years to the term of the Contract, the other substantive changes proposed

in the Amendment are as follows:

1. Annexation - Deletes reimbursement to District for any revenue lost due to annexation of a parcel within the District to the City.
2. Water Rates - Modifies the rate charged to District from Inside City rate to Outside City rate effective January 1, 2018.
3. Capacity Fees - Changes the entity that collects and retains the Capacity Fee (formally called Connection Fee) from the District to the City.
4. Collection of District Fees or Charges - Eliminates the City's obligation to collect and distribute fees or charges, if any, levied by the District to their customers.
5. Make Whole Payments for 12-Inch Water Lines - Clarifies that the City has no further obligation to make payments to the District.
6. Responsibility of the District - Requires the District to initiate and facilitate discussions with the City, LAFCO and Napa County, within two years of expiration of the Agreement, to establish a transition plan for the ongoing provision of water service to the properties within the District.
7. Termination - Added termination clause.

The Congress Valley Water District Board of Directors approved the Amendment at the April 10, 2017 Board meeting.

FINANCIAL IMPACTS:

Extending the term of the Contract maintains approximately \$80,000 per year in water service revenue from District customers. Modifying the rate charged to the Outside City rate will increase revenue by approximately \$35,000.

CEQA:

City staff recommends that the City Council determine that the Recommended Action described in this Staff Report is exempt from CEQA, pursuant to CEQA Guidelines Section 15301 (operation of existing public facilities).

DOCUMENTS ATTACHED:

ATCH 1 - Water Supply Contract Between the City of Napa and the Congress Valley Water District (City Agreement No. 5387)

ATCH 2 - Map of Congress Valley Service Area

ATCH 3 - First Amendment to Water Supply Contract Between the City of Napa and the Congress Valley Water District.

NOTIFICATION:

Congress Valley Water District, Kiersten Bjorkman and Priscillia de Muizon

Napa County LAFCO, Brendon Freeman