



**Local Agency Formation Commission**  
**LAFCO of Napa County**

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**December 6, 2010**  
**Agenda Item No. 8a (Discussion)**

November 30, 2010

**TO:** Local Agency Formation Commission

**FROM:** Keene Simonds, Executive Officer  
Brendon Freeman, Analyst

**SUBJECT: Update on the Lake Berryessa Region Municipal Service Review**  
The Commission will receive an update on its scheduled municipal service review on the Lake Berryessa region. This includes receiving agency profiles on two of the three affected special districts: Lake Berryessa Resort Improvement District and the Napa Berryessa Resort Improvement District. Staff anticipates presenting a complete draft report on the municipal service review, which will include a profile on the Spanish Flat Water District, at the next regularly scheduled meeting.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 directs Local Agency Formation Commissions (LAFCOs) to review and update each local agency's sphere of influence every five years as needed. Spheres are planning policies used by LAFCOs to demark the territory it believes represents the affected agency's appropriate future service area and jurisdictional boundary within a specified time period. All jurisdictional changes and outside service extensions must be consistent with the affected agencies' spheres with limited exceptions. Sphere determinations may also lead LAFCOs to take other actions under their authority, such as initiating the formation or dissolution of a special district. LAFCOs must inform their sphere determinations by preparing municipal service reviews to consider the level, range, and need for governmental services within their county jurisdiction. LAFCOs must complete the municipal service review process prior to making related sphere determinations.

**A. Discussion**

*Municipal Service Review on the Lake Berryessa Region*

Consistent with LAFCO of Napa County's ("Commission") adopted study schedule, staff has initiated work on a municipal service review for the Lake Berryessa region. The municipal service review's immediate objective is to develop and expand the Commission's knowledge and understanding of the current and planned provision of local governmental services in the region relative to present and projected community needs. This includes evaluating the availability and adequacy of public services provided by the three principal local service providers operating in the region: Lake Berryessa Resort Improvement District (LBRID); Napa Berryessa Resort Improvement District (NBRID);

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Representative of the General Public

Gregory Rodeno, Alternate Commissioner  
Representative of the General Public

Keene Simonds  
Executive Officer

and Spanish Flat Water District (SFWD). The municipal service review is also an opportunity to consider whether reorganization alternatives involving one or more of three service providers would measurably improve governance within the region.<sup>1</sup> Finally, the Commission will also use the municipal service review to inform its decision-making as it relates to performing subsequent sphere updates for the three service providers as needed.

### *Current Status*

Staff has completed to date agency profiles on LBRID and NBRID; an agency profile on SFWD is underway and expected to be completed in conjunction with presenting a complete draft report on the municipal service review at the next meeting. Staff is making the profiles on LBRID and NBRID available for review prior to the completion of the draft report to begin familiarizing the Commission regarding key service and governance issues underlying the operation of both agencies. The profiles are attached and provide detailed summaries and assessments of both agencies with respect to their formation and development, service population, organization structure, municipal service provision, and financial standing. This includes considering the availability and sufficiency of resources to accommodate current and future demands. Importantly, staff will rely on the profiles in preparing statements addressing the various factors required for consideration during municipal service review process ranging from infrastructure needs to financial standing.

With respect to key issues identified in the LBRID and NBRID profiles, both agencies are mired in persistent operating shortfalls and have become dependent on receiving discretionary loans from the County of Napa to provide emergency cash flow. The agencies' need for financial assistance is highlighted by both beginning the fiscal year with negative undesignated fund balances. Significantly, the persistent operating shortfalls have impeded both agencies from making needed infrastructure improvements to their aging water and sewer systems. These deficiencies are most evident with respect to both agency's sewage treatment and disposal systems, which have repeatedly generated notices and or fines from the Regional Water Quality Control Board (RWQCB). This includes RWQCB fining LBRID \$400,000 for repeated sewage spills into the Lake Berryessa watershed and prohibiting NBRID from establishing new sewer connections until certain capital improvements are completed.

In step with the financial and service challenges, there appears to be a growing desire among landowners and residents within both LBRID and NBRID to reorganize the respective agencies to become independent from the County. The desire for independence is most strong among NBRID constituents based on communication with LAFCO staff. This includes receiving written support to reorganize NBRID into an independent district from the NBRID Rate Committee and the new concessionaire contracted to develop and operate the former Steele Park Resort site, the Pensus Group.

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<sup>1</sup> As part of its *Comprehensive Water Service Study* completed in 2005, the Commission noted future municipal service reviews involving the local agencies serving the Lake Berryessa region should explore reorganization options given the diseconomies of scale and other issues raised in the review.

The Commission should also be aware the County Board of Supervisors – serving as the NBRID Board – recently filed a request to reorganize the District into a community services district (CSD) consistent with Senate Bill 1023. This legislation becomes effective January 1, 2011 and authorizes LAFCOs to reorganize resort improvement districts into CSDs with the same powers, duties, and boundaries while waiving protest proceedings. The legislation also authorizes LAFCOs to condition approval to include the election of five resident voters to serve as board members.

### *Amended Approach to Municipal Service Review*

Given the above-described circumstances, staff believes it would be appropriate to expedite the municipal service review process to help ensure a final report is presented to the Commission at its April 2011 meeting. Staff believes this can be accomplished by limiting the review of possible reorganization options within the region to only considering the merits of converting NBRID into a CSD consistent with SB 1023. Consideration of all other reorganization options within the region, including changes to LBRID, would be postponed to a later date. This amended approach is consistent with the Commission's practice to proactively respond to unique and time-sensitive local conditions in completing its municipal service review and sphere of influence update mandates. Further, the amended approach will help position the Commission – if it chooses – to approve reorganization of NBRID with sufficient time for the County to process an election for new directors for the start of 2011-2012.

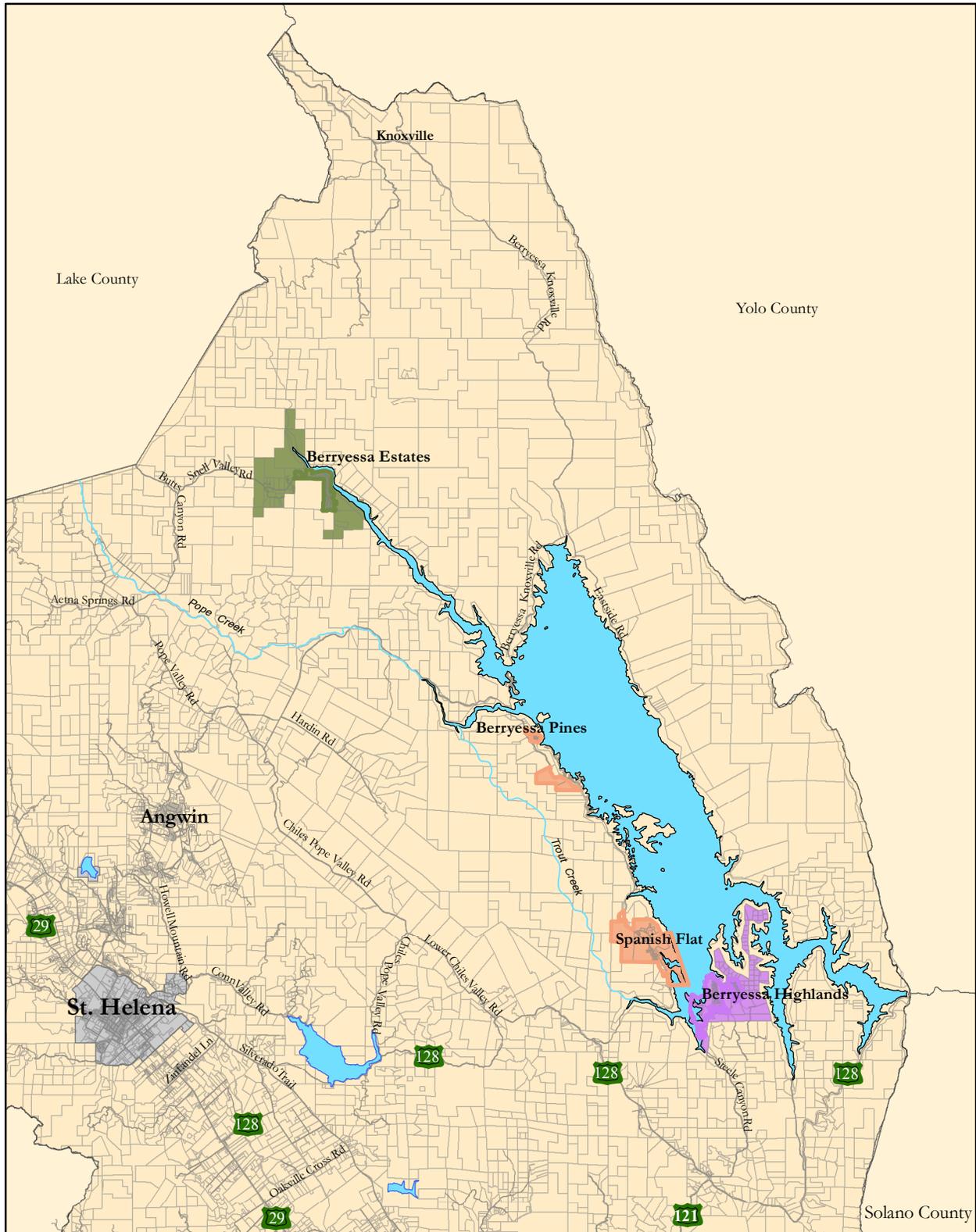
## **B. Commission Review**

Commissioners are encouraged to provide feedback to staff on the update on the municipal service review for the Lake Berryessa region. This includes providing comments on staff's plan to amend and expedite the process as summarized in the preceding paragraph. Unless otherwise directed, staff anticipates presenting a complete draft report on the municipal service review for discussion at the Commission's next regular scheduled meeting, which is tentatively set for February 7, 2011. The draft will include an evaluation of possible approval terms tied to reorganizing NBRID into a CSD.

### Attachments:

- 1) Lake Berryessa Region Map
- 2) LBRID Agency Profile
- 3) NBRID Agency Profile
- 4) Correspondence from NBRID Rate Committee
- 5) Correspondence from the Pensus Group
- 6) Correspondence from NBRID

# Lake Berryessa Region Municipal Service Review



### Affected Local Agencies

-  Lake Berryessa Resort Improvement District
-  Sphere of Influence
-  Napa-Berryessa Resort Improvement District
-  Sphere of Influence
-  Spanish Flat Water District
-  Sphere of Influence



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## AGENCY PROFILE

### Lake Berryessa Resort Improvement District

#### 1.0 Overview

LBRID was formed in 1965 to provide a full range of municipal services in support of the development of Berryessa Estates, an unincorporated community remotely located along Putah Creek in northeast Napa County. Initial development plans envisioned the construction of approximately 2,000 residential units along with various commercial and recreational accommodations to serve an expected permanent resident population of 5,000 with over 40,000 annual visitors. Due to economic conditions, however, actual development within Berryessa Estates has been primarily limited to the creation of a 351-lot residential subdivision. Additionally, a 1971 amendment to its principal act has limited LBRID to providing only sewer and water services.<sup>1</sup>

LBRID currently has an estimated resident service population of 483. LBRID is a dependent special district governed by the County Board of Supervisors. Daily operations are managed by the County Public Works Department. LBRID's current adopted operating budget is \$0.91 million with an unrestricted fund balance of (\$0.72 million) as of June 1, 2010.<sup>2</sup> Markedly, this portion of the fund balance is expected to further decrease to (\$0.87 million) by the end of the current fiscal year due to a budgeted operating shortfall.

Lake Berryessa RID	
Date Formed:	1965
District Type:	Dependent
Resident Population:	483
Services Provided:	Sewer/Water

#### 2.0 Formation and Development

##### 2.1 Formation Proceedings

LBRID's formation was proposed by the Labry Corporation as the principal landowner to help facilitate and support the planned development of Berryessa Estates. The Commission approved the formation proceedings in February 1965 and authorized LBRID to provide a full range of municipal services, including water, sewer, fire, police, roads, lighting, and public recreation. LBRID's formation coincided with an ordinance change by the County to rezone the affected area from *Watershed Recreation* to *Planned Community*; an action that paralleled a concurrent change in the nearby Berryessa Highlands community. Formation proceedings were approved by the Commission in conjunction with the Board of Supervisors agreeing to serve as LBRID's initial governing body with the expectation residents would eventually assume governance control over the District. Voters confirmed the formation of LBRID in April 1965.

<sup>1</sup> Other municipal services directly provided within Berryessa Estates are limited and include fire, law enforcement, and road maintenance from the County as well as interment from the Pope Valley Cemetery District.

<sup>2</sup> LBRID's unrestricted fund balance for budgeting purposes is \$0.19 million with \$590,250 coming from loans from the County of Napa to provide emergency cash flow.

## *2.2 Initial Development and Activities*

Application materials associated with LBRID’s formation proceedings assert Berryessa Estates’ development was expected to occur in five distinct phases. Development commenced in late 1965 with the construction of “Unit One” and “Unit Two.” Unit One involved the construction of Stagecoach Canyon Road to connect the community to the nearest paved road, Snell Valley.<sup>3</sup> Unit Two involved the creation of 351 single-family residential lots ranging in size from 15,000 to 18,000 square feet. During this period, LBRID authorized \$0.875 million in general obligation bonds to finance the construction of water and sewer systems for Unit Two, including the installation of lateral connections for all 351 lots. Water supplies were initially secured through an informal agreement with the Napa County Flood Control and Water Conservation District (NCFWCWD) for an annual raw water entitlement of 200 acre-feet from Lake Berryessa. This water supply agreement was formalized in 1975 and currently extends through 2024.

The remaining three phases planned for Berryessa Estates were anticipated to include additional single-family residential lot subdivisions and certain recreational amenities, such as a marina and golf course. Construction on these additional phases, however, did not materialize as planned as the Labry Corporation canceled the remaining project presumably due to low sales within Unit Two. A marina and adjoining campground site were eventually built for Berryessa Estates as part of a legal ruling after the County sued the Labry Corporation in 1975 for false sales advertisement.

LBRID remained relatively stagnant between 1970 and 2000 in terms of infrastructure expansions or improvements. Two factors appear to underlie this period of general inactivity. First, as mentioned, no new phases of Berryessa Estates were developed. Second, LBRID’s principal act was amended in 1971 to prohibit the affected special districts from engaging in any additional services not already provided or budgeted as of July 1, 1970. As a consequence, LBRID is authorized to only provide water and sewer services; all other services that were expected to be provided by the agency are either provided at a basic level by the County, such as fire and police protection, or do not exist in the community.



By the 1990s, LBRID’s financial difficulties began to escalate due to years of undercharged user rates, inadequate capital improvement planning, and an increasing dependency on the County to provide subsidized funding. A lack of financial resources contributed to LBRID receiving a Cease and Desist Order in 1996 from the California Regional Water Quality Control Board (RWQCB) after the District’s holding ponds overflowed and spilled 50,000 gallons of raw sewage into Putah Creek. LBRID responded by preparing a facility status report to inform a financial plan required by RWQCB, which concluded both water and sewer systems needed expansive improvements to replace worn and failing equipment. In 1998, LBRID voters approved replacing water and sewer availability charges with a special annual tax (“T-1”) applied to each assessor parcel within the District with access to infrastructure. Voters approved a second special tax (“T-2000”) in 2000 to fund specific improvements and replenish reserves through 2009-2010.

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<sup>3</sup> Stagecoach Canyon Road was immediately dedicated to the County of Napa.

### 2.3 Recent Development and Activities

In addition to underfunded operations and postponed capital improvements, LBRID’s financial difficulties have been exacerbated by a series of fines issued by the RWQCB due to repeated sewage spills into the Lake Berryessa watershed. The first RWQCB fine was issued in March 2005 in the amount of \$400,000. This fine was issued for repeated and unauthorized spills between January and February 2005 totaling approximately 4.1 million gallons. At the same time, the State Attorney General also sued LBRID for an additional \$1.2 million for failure to make necessary and timely improvements to its sewer system over the prior 10 year period. LBRID ultimately negotiated a settlement agreement with both parties in which the District agreed to pay the original \$400,000 fine over a 10 year period beginning in August 2009. The settlement agreement was reached in conjunction with LBRID establishing a voter-approved bond measure to fund \$4.7 million in infrastructure improvements to both its water and sewer systems as well as adopting significant increases to user rates.<sup>4</sup> LBRID received a second fine from RWQCB in the amount of \$375,000 in May 2010 for additional sewage spills. LBRID is currently negotiating with RWQCB on a settlement agreement.

<b>Summary Timeline</b>	
1965	.....LBRID formed to provide multiple services
1965	.....Unit One (Stagecoach Canyon Road) completed
1969	.....Unit Two (Estates Subdivision) completed
1969	.....LBRID establishes water and sewer charges
1971	....LBRID limited to only providing water and sewer
1991	...LBRID approves first water/sewer charge increase
1996	.....State issues LBRID Cease and Desist Order
1998	.....Voters approve special tax (T-1)
2000	.....Voters approve special tax (T-2000)
2005	.....LBRID fined \$400,000 for repeated sewage spills
2007	.....Voters approve \$5.2 million bond measure
2008	LBRID approaches private utility to purchase systems
2009	.....LBRID receives \$595,000 in loans from County
2009	...LBRID receives ARRA \$1.7 million forgivable loan
2010	.....LBRID fined \$375,000 for repeated sewage spills

Solvency remains a critical issue for LBRID as the District has experienced a precipitous decline in its unrestricted fund balance over the last five completed fiscal years from \$0.14 to (\$0.72 million) due primarily to escalating operating shortfalls. These operating shortfalls have resulted in LBRID becoming dependent on discretionary loans from the County totaling \$590,000 to maintain positive cash flows. It is unclear whether LBRID will be able to repay these loans or seek additional funding from the County given its persistent structural imbalance. The ability of LBRID’s constituents to assume additional costs is also uncertain since they currently pay approximately \$304 per month for water and sewer related services; one of the highest monthly totals in Napa County.<sup>5</sup>

### 3.0 Adopted Commission Boundaries

LBRID’s jurisdictional boundary is approximately 3.2 square miles or 2,033 acres in size. There are a total of 393 assessor parcels lying within LBRID with an overall assessed value of \$33.1 million. A review of the database maintained by the County Assessor’s Office indicates only one-half of the assessor parcels have been developed as measured by the assignment of situs addresses.<sup>6</sup> There have been no changes to the jurisdictional boundary since formation.

<sup>4</sup> The total assessment costs are \$5.2 million with \$4.2 million allocated to construction. The assessment is secured by recorded liens to all properties. Each landowner is responsible for either pre-paying their total assessment in the amount of \$15,450 or paying \$1,100 each year through 2037.

<sup>5</sup> The monthly cost estimate incorporates four distinct charges or fees: (a) water usage charge; (b) sewer usage charge; (c) T-1 special assessment fee; and (d) bond/parcel special assessment fee. Estimate assumes water usage per lot is 138 gallons per day, with sewer usage equaling 80% of water delivery.

<sup>6</sup> Developed assessor parcels with situs addresses in LBRID represent only 14% of the total land acres within the District.

The Commission adopted LBRID’s sphere in 1985 to include only assessor parcels in Unit Two and certain adjacent lands the Commission expected to be developed for residential or recreational uses over the following 10 year period. The Commission updated the sphere with no changes in 2007 in deference to first completing a review of reorganization options due to diseconomies of scale and other issues raised in an earlier municipal service review. The sphere presently encompasses 0.2 square miles or 176 acres and represents less than one-tenth of LBRID’s jurisdictional boundary.

## 4.0 Population and Growth

### 4.1 Residential Trends

Residential uses comprise nearly all development within LBRID and currently include 188 developed single-family lots with an estimated population of 483.<sup>7</sup> These residential uses are disproportionately divided between Berryessa Estates’ Unit One and Unit Two. Unit One includes only eight developed single-family lots with an estimated population of 21.<sup>8</sup> These lots are outside the range of LBRID’s existing infrastructure and therefore presumably served by private wells and septic systems. The remaining 180 developed residential lots with an estimated population of 463 lie within Unit Two and receive water and sewer services from LBRID.

Residential Development	
Unit One	8 Lots
Unit Two	180 Lots
Population:	483

LBRID has experienced a higher rate of new residential growth compared to the remaining unincorporated area over the last five years. This new growth has been tied to the development of nine single-family lots within Unit Two with the largest percentage increase occurring in 2006. The development of these new lots has increased LBRID’s resident population by an estimated 23 or 5.0% since 2006. This increase represents a 1.0% annual rise and is 2.5 times the population growth rate in the remaining unincorporated area.

#### Past and Present Population Estimates

(Source: LAFCO)

Population	2006	2007	2008	2009	2010
LBRID	460	468	481	483	483
% Increase From Prior Year	----	1.7	2.8	0.4	0.0
Remaining Unincorporated Area	27,607	27,640	28,251	28,231	28,170
% Increase From Prior Year	----	0.1	2.2	(0.1)	(0.2)

In terms of future projections, it is reasonable to assume the rate of new residential growth in LBRID relative to the last five years will remain consistent within the timeframe of this review to its current estimate of 1.0% annually. This projected growth rate incorporates an adjustment made by staff to estimates prepared by the Association of Bay Area Governments (ABAG) and assumes growth in LBRID will continue to outperform growth nearly 3:1 in the remaining unincorporated area consistent with recent totals.<sup>9</sup> Any new development will presumably be limited to developing the 171 remaining vacant lots in Unit Two. The following chart incorporates these assumptions in projecting LBRID’s future resident population.

<sup>7</sup> Population assumes 2.57 residents per dwelling unit consistent with projections issued by the Department of Finance.

<sup>8</sup> There are an additional 10 undeveloped lots within Berryessa Estates’ Unit One. There is no expectation these lots will be developed within the timeframe of this review.

<sup>9</sup> The adjustment reflects LBRID’s population increase over the remaining unincorporated area of 2.5:1 since 2006. (Specific adjustment involves multiplying ABAG’s projected growth rate for the unincorporated area (0.4%) by 2.5.)

### Future Population Projections

(Source: LAFCO)

Category	2011	2012	2013	2014	2015
LBRID	488	493	498	503	508

\* Assumes a uniform annual growth rate of 1.0%

## 4.2 Non-Residential Trends

Non-residential uses in LBRID are currently limited to a local convenience store located on Stagecoach Canyon Road. This non-residential use was established in the 1970s and receives water and sewer services from LBRID. A marina and adjoining campground adjacent to Putah Creek are also located within LBRID. The campground is maintained by the Berryessa Estates Property Owners Association and can accommodate 10 to 12 recreational vehicles.<sup>10</sup> No water or sewer services, however, are provided in the campground. No additional non-residential uses are expected in the timeframe of this review.

## 5.0 Organizational Structure

### 5.1 Governance

LBRID operates under Public Resources Code Sections 13000-13233, which is known as the “Resort Improvement District Law.”<sup>11</sup> The law was enacted in 1961 for purposes of providing an alternative method for funding and furnishing a full range of extended municipal services – including land use planning powers – within large unincorporated areas to support seasonal recreational resort uses. The law was fashioned by the Legislature to facilitate recreational resort sites similar to the Squaw Valley in Placer County, which had been developed to host the 1960 Winter Olympic Games. In 1965, after the hearings were held by the Assembly into suspected abuses by affected special districts, the law was amended to prohibit the creation of new resort improvement districts. The law was further amended in 1971 to allow affected special districts to only provide those municipal services already provided or budgeted as of July 1, 1970.

LBRID was organized at the time of its formation as a dependent special district governed by the County Board of Supervisors.<sup>12</sup> As a result of the aforementioned principal act amendment in 1971, LBRID is authorized only to provide water and sewer services. Supervisors are elected by division and serve staggered four-year terms. LBRID meetings are generally scheduled once monthly on the first Tuesday at the County Administration Building with special meetings calendared as needed. Elections are based on a registered-voter system. County Elections reports there are currently 219 registered voters residing in LBRID.

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<sup>10</sup> The marina and campground were constructed in the mid 1970s as part of a settlement agreement between the County of Napa and the developer of Berryessa Estates, Labry Corporation. The marina and campground are located on private property with access provided by way of an easement to landowners within Berryessa Estates who pay an annual fee to the Berryessa Estates Property Owners Association for a gate key. The fee for the gate key is currently \$135.

<sup>11</sup> There are a total of seven resort improvement districts operating in California.

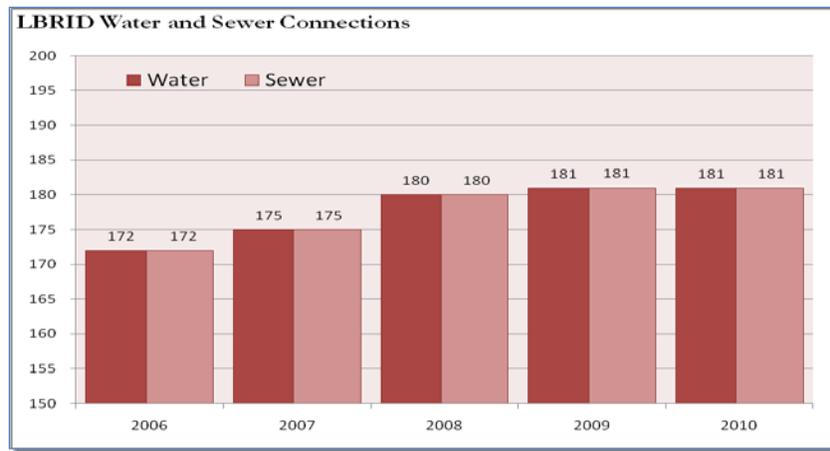
<sup>12</sup> The Board of Supervisors may delegate governance authority of LBRID to a five-member board of directors, four of which shall be elected from the District and the fifth shall be the supervisor representing the area.

## 5.2 Administration

LBRID contracts with the County for administrative services. The County Public Works Director serves as District Manager/Engineer and is responsible for overseeing day-to-day operations, which includes operating and maintaining the agency's water and sewer systems. Public Works assigns a full-time technician to provide onsite operational services at LBRID. The onsite technician is supervised by a licensed operator who generally divides his or her time on a 60 to 40 split between LBRID and NBRID. Other continual administrative duties performed by Public Works include budgeting, purchasing, billing, contracting, and customer service. LBRID's legal and accounting services are provided by County Counsel and County Auditor-Controller's Office, respectively.

## 6.0 Municipal Services

LBRID directly provides water and sewer services within Berryessa Estates Unit Two; no services are provided outside Unit Two. There are currently 180 single-family residences each receiving water and sewer service. LBRID also provides water and sewer service to one commercial user. LBRID has experienced a 5.3% overall increase in total service connections in the last five years rising from 172 to 181 as reflected in the following chart.



## 6.1 Water Service

### Supply

LBRID's water supply is entirely drawn from Lake Berryessa and secured through an agreement with NCFWCD. The agreement was initially entered into in 1966 and most recently amended in 1999. It provides LBRID an annual entitlement of 200 acre-feet of raw (non-treated) water through 2024. Raw water from Lake Berryessa is captured from a floatable intake system at Putah Creek powered by an electric pump with a daily conveyance capacity of 1.1 acre-feet.<sup>13</sup> The full delivery of the entitlement is considered entirely reliable given the



<sup>13</sup> Pump capacity is based on a manufacture rating of 250 gallons per minute.

current and historical storage levels at Lake Berryessa.<sup>14</sup> This supply entitlement is more than sufficient to accommodate the buildout of existing vacant lots within LBRID based on current per-lot usage demands.<sup>15</sup>

### ***Demand***

LBRID’s total water demand in 2010 equaled approximately 29.5 acre-feet. This amount represents an average daily demand of nearly 0.08 acre-feet, or 26,340 gallons. This current demand equals nearly one-seventh of LBRID’s annual water entitlement, resulting in an available supply capacity of 170.5 acre-feet. Notably, LBRID has experienced over a one-third decline in annual water demands over the last five years. This decrease is principally attributed to conservation resulting from user rate increases, which have more than doubled since 2006.<sup>16</sup> The peak-day water demand equals 0.4 acre-feet and is five times greater than the daily average.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Annual Demand (Acre-Feet)	47.6	36.9	34.9	34.0	29.5
Average Day Demand (Acre-Feet)	0.13	0.10	0.09	0.09	0.08
Average Day Demand Per Developed Lot (Gallons)	264.0	190.4	168.4	161.5	137.9

*\* Years Are as of June 1<sup>st</sup>*

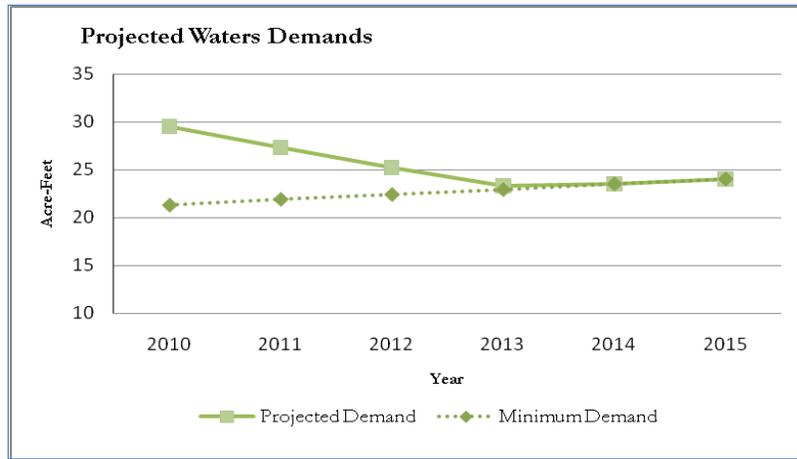
Projecting future water demands within LBRID is challenging given the current contrast in which usage has decreased despite an overall increase in population. Given this contrast, it is reasonable to assume future water demands will continue to decrease yearly by 7.6% consistent with the recent average annual decline until reaching a minimum threshold sufficient to provide 100 daily gallons to each developed lot.<sup>17</sup> Based on these assumptions, LBRID’s annual water demand will eventually decline to 23.5 acre-feet in 2014 before experiencing slight increases consistent with projected new development as reflected in the following chart.

<sup>14</sup> Lake Berryessa has a total storage capacity of 1.6 million acre-feet and is part of the United States Bureau of Reclamation’s (USBR) Solano Project. The Bureau maintains agreements with NCFWCWD and Solano County Water Agency to provide these agencies with annual raw water entitlements totaling 1,500 and 207,350 acre-feet, respectively. These contracted amounts reflect the safe annual yield available for delivery based on historical hydrologic conditions. Accordingly, LBRID’s subcontracted annual raw water entitlement is considered reliable.

<sup>15</sup> LBRID’s current annual water demand is 29.5 acre-feet. There are an additional 171 privately-owned lots within LBRID that are not currently connected to the District’s water system. This includes 10 undeveloped lots in Unit One and 161 undeveloped lots in Unit Two. Based on current usage demands, it is reasonable to assume the buildout of these lots would increase LBRID’s total annual water demand from 29.5 to 60.0 acre-feet. (Staff’s analysis assumes that Unit One is entitled to receive water and sewer services from LBRID given their location within the District. Actual connection to LBRID’s water and sewer systems, however, would require infrastructure expansions born by the individual landowners.)

<sup>16</sup> For a single-family residence consuming 250 gallons per day, the monthly water charge to customers has increased from \$27.15 to \$69.50 between 2006 and 2010.

<sup>17</sup> LAFCO projects there will be 214 developed lots served by LBRID by 2015.



*\* Assumes demands will continue to decrease annually at a 7.6% rate until reaching a minimum threshold sufficient to provide 100 daily gallons to each developed lot.*

### Capacity

LBRID’s water treatment facility was constructed in 1967 and disinfects and filters raw water conveyed from Lake Berryessa. Pro Pac (coagulant) and chlorine (disinfectant) are the primary chemical treatment agents added to the raw water as it enters into the treatment plant’s clarifier. Raw water is detained in the clarifier to facilitate the sedimentation of solids. Solids are removed from the treatment process as water is cycled through a two-stage filtering process before entering into a 10,000 gallon clearwell tank. The clearwell tank completes the disinfection process by allowing the water to complete its contact time with the chlorine. Finished water remains in the clearwell tank until storage levels in the distribution system require recharge.



LBRID’s water treatment facility is designed to process up to 174 gallons per minute, resulting in a daily capacity of 250,000 gallons, or 0.77 acre-feet. Current daily demands average 0.15 acre-feet and equal 20% of the daily capacity. This capacity is more than sufficient to accommodate both the average day and peak day demands associated with the buildout of Berryessa Estates based on current usage requirements in LBRID.<sup>18</sup> Additionally, LBRID received a \$1.74 million forgivable loan in 2009 from the American Recovery and Reinvestment Act (ARRA) to comprehensively update the water treatment facility as required by RWQCB. The improvements are scheduled to be completed in 2011 and will address turbidity levels at Putah Creek and reduce backwash to the sewer system.

LBRID’s distribution system consists of waterlines ranging in size from two to twelve inches providing service to Berryessa Estates’ Unit Two. Nearly all waterlines were constructed in the late 1960s. The distribution system overlays three independent pressure zones that range in

<sup>18</sup> LAFCO projects Berryessa Estates Unit Two buildout would increase the average day treatment demand to 0.28 acre-feet and raise the peak day demand to 0.74 acre-feet. Further, the average and peak day treatment demands would increase with buildout and connection of Berryessa Estates Unit One to 0.42 and 0.77 acre-feet, respectively.

elevation from 500 to 1,100 feet, each maintained by storage tanks. Topography requires treated water in the plant’s 10,000 gallon clearwell tank be lifted through two electric pumps into the distribution system’s primary pressure zone. The maximum daily pump capacity at the clearwell tank is 150 gallons per minute resulting in a total daily capacity of 0.66 acre-feet.

The distribution system operates on a supply and demand basis responding to storage levels within LBRID’s primary pressure zone. The primary pressure zone currently serves approximately one-half of the customer base and is maintained by Estates Tank “A,” which has a holding capacity of 200,000 gallons. Treated water is discharged from the clearwell tank and pumped into the primary pressure zone when levels in Estates Tank A fall below a designated marker adjusted seasonally. Estates Tank A is equipped with an electric pump to lift water into the second pressure zone. The second pressure zone currently serves approximately one-third of the customer base and is maintained by Estates Tank B, which has a holding capacity of 100,000 gallons. Estates Tank B is also equipped with an electric pump to lift water into the third and final pressure zone. The third pressure zone currently serves approximately one-fifth of the customer base and is maintained by Estates Tank C and its 100,000 gallon holding capacity. Pressure in each zone is maintained by gravity and no private pumps are needed. These capacities are sufficient to meet current and foreseeable peak day demands, both system-wide and within each individual pressure zone, as reflected in the following tables.

**Storage and Treatment Capacities and Demands**

(Source: LBRID/LAFCO)

Day Treatment Capacity	Storage Capacity	Current Average Day Demand	Current Peak Day Demand
0.77 Acre-Feet/ 250,943 Gallons	1.23 Acre-Feet/ 400,857 Gallons	0.15 Acre-Feet/ 48,885 Gallons	0.40 Acre-Feet/ 130,360 Gallons

**Individual Pressure Zone Storage Capacities and Demands**

(Source: LBRID/LAFCO)

Pressure Zone	Storage Tank	Storage Capacity	Total Connections	Percent of Connections	Peak Day Demand
One	Estates A	200,000 Gallons	89	49	64,000 Gallons
Two	Estates B	100,000 Gallons	58	32	42,000 Gallons
Three	Estates C	100,000 Gallons	34	19	25,000 Gallons

In terms of sufficiency, as reflected in the above charts, current treatment and storage capacities within the distribution system’s individual pressure zones are adequate with respect to accommodating current average and peak day demands. Current treatment and storage surpluses indicates capacity expansions are not needed within the timeframe of this review given new growth in LBRID is expected to be relatively minimal over the next several years.

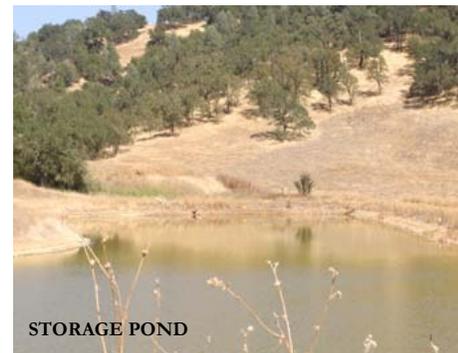
## 6.2 Sewer Service

### ***Collection and Treatment Systems***

LBRID’s sewer collection system consists of approximately 7.5 miles of sewer lines and three pump stations. Nearly all of the sewer lines comprise clay and are 25 years or older. LBRID provides a secondary level of treatment to raw sewage as it enters its collection system through individual laterals and initially settles in a 91,000 gallon above-ground holding tank, which is supplemented as needed by a 21,000 gallon overflow tank. From the holding tank, raw sewage is pumped through a 1.2 mile long force main before entering one of three gravity flowing aerobic/anaerobic ponds to facilitate the settlement of solids. From the third pond, sewage gravity flows into a fourth finishing pond for final treatment. After the fourth pond the sewage can either flow directly into a fifth pond or be pumped to a sixth and seventh pond for chlorination and storage and ultimately disposal through a spray irrigation system comprising six acres of LBRID-owned land. LBRID also uses up to four wastewater evaporation units to assist with disposal. Ponds five, six, and seven are considered storage and have a combined capacity of 7.86 million gallons or 24.1 acre-feet.



HOLDING TANK



STORAGE POND

#### **Collection and Treatment Systems**

(Source: LBRID and LAFCO)

##### **Collection System**

Miles of Gravity Sewer Lines	6.5 Miles
Miles of Forced Sewer Lines	1.0 Miles
Percent of Sewer Lines 25 Years or Older	99%

##### **Treatment System**

Treatment Level	Secondary
Treated Storage Capacity	24.12 Acre-Feet/ 7.86 Million Gallons
Discharge Type	Sprayfield Irrigation/6 Acres

### ***Capacity and Demand***

LBRID’s wastewater treatment facility has design daily dry-weather and wet-weather flow capacities of 44,000 and 84,000 gallons, respectively. These capacities sufficiently accommodate the current average dry-weather and wet-weather flow demands of 21,000 and 30,000 gallons. Peak day wet-weather flow totals, however, substantially exceed LBRID’s design capacities as well as temporary overflow facilities and currently total 270,000 gallons.<sup>19</sup> The excessive peak day wet-weather flow totals are attributed to increasing inflow and infiltration into the aging collection system and have directly resulted in a series of unauthorized spills beginning in the mid 1990s leading to numerous violation notices and fines from the RWQCB.

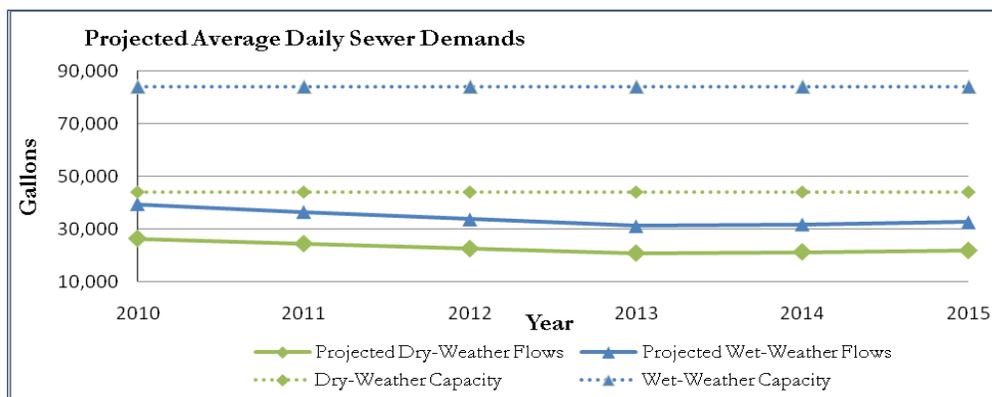
<sup>19</sup> LBRID reports it has the temporary capacity to accommodate up to 190,000 gallons of sewer flows during peak day wet-weather conditions by utilizing a series of pumps to convey flows from various holding/storage ponds.

### Daily Sewer Capacity and Current Demand Totals

(Source: LBRID and LAFCO)

Average Dry Weather Capacity	Average Wet Weather Capacity	Average Dry Weather Demand	Average Wet Weather Demand	Peak Wet Weather Demand
0.14 Acre-Feet/ 44,000 Gallons	0.26 Acre-Feet/ 84,000 Gallons	0.06 Acre-Feet/ 21,000 Gallons	0.09 Acre-Feet/ 30,000 Gallons	0.83 Acre-Feet/ 270,000 Gallons

With respect to projecting future demands, it is reasonable to assume average dry-weather sewer flows will continue to equal 80% of projected water usage in LBRID. It is also reasonable to assume average wet-weather flows will continue to equal 150% of average dry-weather flows. If these assumptions prove accurate, LBRID has sufficient treatment and storage capacities to accommodate projected average dry-weather and wet-weather flows within the timeframe of this review as reflected in the following chart.



*\* Projections assume a baseline in which inflow and infiltration flows will reflect current levels*

Notwithstanding the preceding comments, LBRID’s peak day wet-weather flows will continue to overwhelm the system during extended storm events until significant improvements are made to reduce inflow and infiltration in the collection system. In response to the most recent fine issued by RWQCB, LBRID has retained an outside engineering firm to prepare a scope of work regarding system improvements to reduce inflow and infiltration and related spillage problems with its storage ponds. LBRID has also recently worked with Pacific Gas and Electric in extending an electrical line to operate the District’s evaporation sprayers, which is expected to provide a reliable system to discharge treated wastewater within its storage ponds.

## Financial

### *Assets, Liabilities, and Equity*

LBRID’s financial statements are prepared by the County Auditor-Controller and included in its annual report at the conclusion of each fiscal year. The most recent issued report was prepared for the 2009-2010 fiscal year and includes audited financial statements identifying LBRID’s total assets, liabilities, and equity as of June 30, 2010. These audited financial statements provide quantitative measurements in assessing NBRID’s short and long-term fiscal health and are summarized below.

## ***Assets***

LBRID's assets at the end of the fiscal year totaled \$7.41 million. Assets classified as current with the expectation they could be liquidated into currency within a year represented slightly less than one-half of the total amount with the majority tied to cash and investments.<sup>20</sup> Assets classified as non-current represented the remaining amount with the largest portion associated with depreciable structures.<sup>21</sup>

<b>Category</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Current Assets	0.178	0.628	3.867	3.327	3.679
Non-Current Assets	0.772	0.721	2.519	3.005	3.732
Total Assets	\$0.950	\$1.349	\$6.385	\$6.332	\$7.411

\* Current assets significantly increased in 2007-2008 due to bond issuances

## ***Liabilities***

LBRID's liabilities at the end of the fiscal year totaled \$5.82 million. Current liabilities representing obligations owed within a year accounted for only one-tenth of the total amount and primarily tied to debt obligations within the upcoming year. Non-current liabilities accounted for the remaining amount with the majority tied to outstanding debt payments associated with LBRID's 2007 special assessment bond measure.<sup>22</sup> The remaining non-current liability amount is the result of LBRID's stipulated judgment in favor of RWQCB for previous sewage spills.<sup>23</sup>

<b>Category</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Current Liabilities	0.037	0.100	0.308	0.295	0.506
Non-Current Liabilities	0.000	0.000	4.655	4.945	5.315
Total Liabilities	\$0.037	\$0.100	\$4.963	\$5.240	\$5.821

\* Non-current liabilities significantly increased in 2007-2008 due to bond issuances

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

LBRID's equity, or net assets, at the end of the fiscal year totaled \$1.59 million and represents the difference between LBRID's total assets and liabilities. The end of year equity amount incorporates a (\$0.73) million balance in unrestricted funds. This negative unrestricted fund balance is attributed to a net operating loss of (\$0.29 million) and a stipulated judgment of (\$0.40 million) against LBRID for repeated sewage spills.

<b>Category</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Capital Asset Funds	0.772	0.721	1.271	1.180	2.021
Restricted Funds	0.000	0.000	0.480	0.479	0.293
<b>Unrestricted Funds</b>	<b>0.140</b>	<b>0.527</b>	<b>(0.329)</b>	<b>(0.567)</b>	<b>(0.725)</b>
Total Equity	\$0.912	\$1.248	\$1.422	\$1.093	\$1.589
Change	(\$0.203)	\$0.336	\$0.174	(\$0.330)	\$0.496

<sup>20</sup> Current assets totaled \$3.679 million and include cash investments (\$2.719 million), taxes receivable (\$0.012 million), accounts receivable (\$0.059 million), and assessments receivable (\$0.111 million).

<sup>21</sup> Non-current assets totaled \$3.005 million and include land (\$0.005 million), structures and improvements (\$3.342 million), and equipment (\$0.225 million) minus accumulated depreciation (\$1.471 million).

<sup>22</sup> The 2007 special assessment bond was issued at \$4.75 million. The outstanding due amount is currently \$4.49 million.

<sup>23</sup> The stipulated judgment totals \$400,000 and is to be paid over a 10 year period with no interest.

LBRID's financial statements for 2009-2010 reflect the District experienced a positive change in its fiscal standing as its overall equity increased by nearly one-half from \$1.09 to \$1.59 million. This increase in the overall fund balance is directly attributed to capital contributions tied to the special assessment. However, financial statements also reflect the unrestricted portion of the fund balance continued to decrease in value during the fiscal year and has fallen by over 400% over the last five completed fiscal years from \$0.14 to \$(0.72) million. This decrease in the unrestricted fund balance has been credited to recurring net income losses in each of the last five fiscal years totaling \$1.01 million.

Assets	\$7.411 million
Liabilities	\$5.821 million
Equity	\$1.589 million

Calculations performed assessing LBRID's liquidity, capital, and profitability indicate the District finished 2009-2010 with sufficient resources to remain operational in the short-term, but with questions regarding its long-term financial health. Specifically, short-term liquidity remained high given LBRID finished the fiscal year with sufficient current assets to cover its current liabilities seven-to-one.<sup>24</sup> LBRID, however, finished with significant long-term debt as its non-current liabilities exceeded its net assets by three-to-one, reflecting a strained capital structure.<sup>25</sup> LBRID also finished the fiscal year with a negative operating margin as expenses exceeded revenues by one-half.<sup>26</sup> An expanded discussion on revenues-to-expenses is provided in the following section.

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

A review of LBRID's audited revenues and expenses identifies the District has finished each of the last five fiscal years with operating shortfalls reflecting an entrenched structural imbalance. The 2009-2010 year marked the largest end-of-year shortfall at \$0.29 million and is primarily tied to booking the aforementioned \$0.40 million judgment in favor of the RWQCB for repeated sewage spills. Overall, non-operating revenues, such as special assessment revenues, have allowed LBRID to finish three of the last five fiscal years with positive end-of-year fund balances.

LBRID segregates its revenues and expenses into three broad fund categories: (a) operations; (b) non-operations; and (c) transfers/special items. An expanded review of LBRID's audited end-of-year revenues and expenses in these three fund categories follows.

<b>Fund Category</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
<b>Operations</b>					
Revenues	658,117	543,516	446,722	517,297	566,054
Expenses	(886,976)	(642,667)	(662,455)	(692,589)	(859,276)
<b>Non-Operations</b>					
Revenues	25,707	49,355	227,849	140,620	79,962
Expenses	0	0	(182,575)	(266,798)	(272,779)
<b>Special Items</b>					
Revenues	0	386,184	344,767	371,568	982,566
Expenses	0	0	0	(400,000)	(486,039)
	(\$203,152)	\$336,058	\$174,308	(\$329,902)	\$10,488

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

\* LBRID began collecting special assessment proceedings in 2006-2007

\* LBRID received and paid back a \$400,000 loan to the County of Napa in 2008-2009

<sup>24</sup> LBRID also finished with cash reserves sufficient to cover 1,405 days of operating expenses, but this measurement is misleading given the majority of available cash was tied to special assessment proceedings.

<sup>25</sup> LBRID's debt-to-equity ratio as of June 30, 2010 was 3.34.

<sup>26</sup> LBRID's operating margin as of June 30, 2010 was (0.52).

***Current Budget***

LBRID’s adopted amended budget for the 2010-2011 fiscal year totals \$3.5 million. This amount represents LBRID’s total approved expenses or appropriations for the fiscal year within its four budget units: (a) operating; (b) capital improvement; (c) capital improvement – recovery act; and (d) bond account. An expanded review of expenses and revenues within all four budget units follows.

***Operating***

LBRID’s operating budget unit supports basic District water and sewer activities. Approved expenses total \$0.91 million with three-fifths of the apportionments dedicated to services and supplies. Estimated revenues are projected at \$0.76 million with two-thirds of proceeds expected to be generated from usage charges and T-1 assessments.<sup>27</sup> A \$0.09 million loan from the County is also budgeted.

<b>2010-11 Adopted Operations</b>	
Revenues	\$0.76 million
Expenses	\$0.91 million
Difference	(\$0.15 million)
Beginning Balance	\$0.19 million
Est. Ending Balance	\$0.04 million

In absence of an unexpected positive net revenue total, LBRID is projected to experience a \$0.15 million operating shortfall and would further draw down its budgeted unreserved/unrestricted fund balance from \$0.19 million to \$0.04 million. (The budgeted amount incorporates \$590,250 in earlier loans from the County provided over the last several years to provide emergency cash flow.) Additionally, due to the projected shortfall, no operating contingencies have been budgeted for the fiscal year.

***Capital Improvement***

LBRID’s capital improvement unit accounts for the receipt and expense of acquiring or constructing major infrastructure commonly through grants and transfers. Approved expenses are estimated at \$1.0 million and entirely allocated to repairing LBRID’s three water storage tanks. New revenues are budgeted at \$0.03 million and will be drawn from interest earnings. These new revenues will help offset the approved expenses once undertaken, with the remaining amount to be drawn from the fund balance, which is currently \$2.7 million as of July 1, 2010.<sup>28</sup>

***Capital Improvement – Recovery Act***

LBRID’s capital improvement – recovery act unit accounts for the receipt and expense of the \$1.7 million awarded to the District in September 2009 through the ARRA. Approved expenses total \$1.2 million and are entirely allocated to replacing LBRID’s water treatment facility. As referenced, matching revenues to cover actual expenses will be provided to LBRID through the administrators of the ARRA, the Recovery Accountability and Transparency Board.

***Bond Account***

LBRID’s bond account unit is for the receipt and expense of monies associated with the \$4.7 million bonded special assessment approved by District landowners in 2007. Approved expenses total \$0.3 million and are entirely dedicated to paying interest, principal, and related administrative fees tied to the 2007 bond. Matching revenues are drawn from collecting special assessments tied to each parcel in LBRID at an annual amount of \$515.

<sup>27</sup> LBRID approved a 4% increase in the annual T-1 charge for 2010-2011 raising the individual fee from \$665 to \$693.

<sup>28</sup> As noted on page \*\*\*\*, LBRID was awarded a \$1.74 million forgivable loan from ARRA to finance a comprehensive update to the water treatment facility to address turbidity levels at Putah Creek and reduce backwash to the sewer system.

**AGENCY PROFILE**

**Napa Berryessa Resort Improvement District**

**1.0 Overview**

NBRID was formed in 1965 to provide a full range of governmental services in support of the planned development of Berryessa Highlands, an unincorporated community located along Lake Berryessa’s southern shoreline in eastern Napa County. Development of Berryessa Highlands was expected to occur over two distinct planning phases and eventually result in the construction of approximately 4,000 residential units along with various commercial and recreational uses. Due to various factors, however, the development of Berryessa Highlands has been primarily limited to the creation of two residential subdivisions in the western portion of NBRID collectively totaling 561 single-family lots. Additionally, a 1971 amendment to its principal act limits NBRID to providing only sewer and water services.<sup>1</sup>

NBRID currently has an estimated resident service population of 920; making the area one of the largest unincorporated communities in Napa County. NBRID is a dependent special district governed by the County Board of Supervisors. Daily operations are managed by the County Public Works Department. NBRID’s current adopted operating budget is \$1.49 million with a beginning fiscal year unrestricted fund balance of (\$0.58 million).<sup>2</sup> This portion of the fund balance is expected to decrease to (\$0.82 million) by the end of the fiscal year due to a budgeted operating shortfall.

<b>Napa Berryessa RID</b>	
Date Formed:	1965
District Type:	Dependent
Resident Population:	920
Services Provided:	Sewer/Water

**2.0 Formation and Development**

*2.1 Formation Proceedings*

NBRID’s formation was proposed by the Berryessa Highlands Development Company to help facilitate and support the planned development of Berryessa Highlands. The Commission approved formation proceedings in January 1965 and authorized NBRID to provide a full range of municipal services, specifically water, sewer, fire, police, roads, lighting, and recreation. NBRID’s formation coincided with an ordinance change by the County to rezone the affected area from *Watershed Recreation* to *Planned Community*; an action paralleling a concurrent change in the Berryessa Estates community. Formation proceedings were approved in conjunction with the County Board of Supervisors agreeing to serve as NBRID’s governing body. Voters confirmed the formation of NBRID in March 1965.

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<sup>1</sup> Other municipal services directly provided within Berryessa Highlands are limited and include a basic level of fire, law enforcement, and road maintenance from the County as well as the interment from Monticello Public Cemetery District.

<sup>2</sup> NBRID’s unreserved/undesignated fund balance for budgeting purposes is \$0.29 million with \$474,000 coming from loans from the County of Napa to provide emergency cash flow.

## *2.2 Initial Development and Activities*

Application materials associated with NBRID’s formation proceedings assert the development of Berryessa Highlands was anticipated to occur in two distinct planning phases. The first planning phase was expected to develop the western portion of NBRID and anchored by 1,700 residential units that were anticipated to serve primarily as secondary homes. Development of the western portion commenced in the middle of 1965 with the construction of “Unit One” and “Unit Two,” which eventually involved the creation of 202 and 359 single-family lots, respectively. A third development was later added in the western portion consisting of 10 single-family lots known as “Oakridge Estates.” During this period, NBRID authorized \$0.90 million in general obligation bonds to help finance the construction of water and sewer facilities to serve residential uses in Units One and Two as well as the adjacent Steele Park Resort.<sup>3</sup> (Services to Oakridge Estates were established in 1982 and facilitated through an intertie to the distribution and collection systems.) Water supplies were initially secured through an informal agreement with NCFWCWCD for an annual raw water entitlement of 200 acre-feet from Lake Berryessa. The water supply agreement was formalized in 1975 and amended in 2007 to provide 300 acre-feet annually through 2028.

The remaining planned development of Berryessa Highlands was expected to occur throughout the 1970s and include an additional 1,000 residential units in the western portion along with 1,400 residential units in the eastern portion of NBRID. Expansion of the Steele Park Resort was also expected, which at the time of formation included a 156-space trailer park. These additional development phases, however, did not materialize due to low lot sales in Units One and Two and eventually Berryessa Highlands Development Company closed due to bankruptcy by the early 1970s.

The abandonment of additional development phases in Berryessa Highlands coincided with the amendment of NBRID’s principal act to prohibit all affected special districts from engaging in any other services not already provided or budgeted as of July 1, 1970. This amendment has limited NBRID to providing only water and sewer services; all other services that were expected to be provided by the agency are either provided at a basic level by the County, such as fire and police, or do not exist in the community.



Initial development within NBRID remained slow with only 71 lots built in Berryessa Highlands by 1980. An improving economy underlined an accelerated rate of growth as the number of built lots in Berryessa Highlands more than doubled to 170 by 1990. Incremental growth continued throughout the 1990s resulting in 300 built lots by 2000.

Ongoing challenges with increasing service costs tied to new regulatory requirements paired with a small customer base and stagnant service rates resulted in NBRID experiencing a persistent structural imbalance by the early 2000s. Notably, the first increase to NBRID’s water and sewer rates did not occur until 1991. Another key issue emerging during this time was the lack of operating reserves, which were effectively depleted after NBRID made numerous repairs to its water and sewer facilities following a series of damaging winter storms in 1995. Further, an attempt to reestablish reserves to fund needed capital improvements through a special parcel tax aimed at replacing the monthly availability charges was also rejected by voters 52 to 48 percent in 1997.

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<sup>3</sup> Additional financing for NBRID’s water and sewer facilities was drawn from an assessment district and developer contributions.

### 2.3 Recent Development and Activities

Recent development and activities within NBRID have largely focused on addressing deficiencies involving the aging District’s water and sewer systems. The deficiencies involving the sewer system have been the most persistent resulting in repeated sewage spills into Lake Berryessa, leading RWQCB to issue several notices of violation and three Cease and Desist Orders between 1995 and 2010. Markedly, the last two Cease and Desist Orders issued in 2006 and 2010 established and expanded restrictions on adding new sewer connections until specific improvements are performed. This includes submitting an inflow and infiltration assessment for RWQCB review by November 2011 and completing construction on a new or improved wastewater treatment facility before December 2015.

#### Summary Timeline

1965	.....NBRID formed to provide multiple services
1968	.....Lots in Units One and Two completed
1969	.....NBRID establishes water and sewer charges
1971	.....NBRID limited to only providing water and sewer
1982	.....Lots in Oakridge Estates completed
1991	.....NBRID approves first water/sewer charge increase
1995	.....State issues first NBRID cease and desist order
1997	.....Voters reject special parcel tax
2006	.....State issues second NBRID Cease and Desist Order
2007	.....Voters approve \$13.9 million bond measure
2008	.....Steele Park Resort closes
2008	...NBRID approaches private utility to purchase systems
2009	.....NBRID receives \$474,000 loan from County
2010	.....New contract to operate former Steele Park site
2010	.....NBRID receives \$395,000 loan from County
2010	.....County requests making NBRID independent
2010	.....State issues third NBRID cease and desist order

NBRID’s current ability to fund needed capital improvements to both its water and sewer systems has been adversely effected by the uncertainties associated with USBR’s redevelopment plans for Steele Park, which is now known as Lupine Shores. Specifically, the concession site has been left undeveloped since May 2008 due to delays in the USBR’s competitive bid process for new contractors to assume control. A new contractor was selected in April 2010 to redevelop and improve the concession site. The new contractor, however, has expressed intent to redevelop the concession site to accommodate a much smaller use than previously expected as part of a \$13.9 million bond measure approved by NBRID voters in April 2007 to make expansive improvements to both water and sewer systems.<sup>4</sup> The bond measure – as approved – is secured by a special assessment levied against all lands within NBRID and calculated based on expected benefit from the system-wide improvements. This includes calculating one-third of the benefit tied to the improvements would go to the concession site and therefore the contractor would be responsible for approximately \$4.6 of the \$13.9 million bond. Importantly, the potential downsizing of the concession site’s redevelopment may preclude NBRID from going forward and implementing the bond assessment if the District concludes a reasonable nexus no longer exists between the calculation made in determining benefits and costs.

In November 2010, in response to an increasing desire by residents for self-governance, the County formally requested the Commission consider reorganizing NBRID from a dependent to an independent special district. The request follows a successful protest by landowners objecting to proposed raises in water and sewer user charges by NBRID, an outcome reflecting an increasing dissatisfaction with the management of the District. The request also succeeds the County’s support of Senate Bill 1023, which becomes effective January 2011 and expedites reorganizing resort improvement districts into community services districts with identical powers and boundaries while eliminating protest proceedings.

<sup>4</sup> The bond measure is secured by a special assessment district that applies an annual \$563.96 charge for every dwelling unit over a 30 year period. At the time the bond measure was approved by voters, it was expected Steele Park/Lupine Shores would include 228 equivalent dwelling units. The new contractor has expressed interest in redeveloping the site to accommodate uses less than the previous 228 equivalent dwelling unit amount.

Addressing NBRID’s existing financial instability remains the critical issue going forward regardless of whether the District remains dependent or transitions to independent. This instability is evident given NBRID has experienced a steep decline in its unrestricted fund balance over the last five fiscal years from \$0.25 to (\$0.58 million) due to persistent operating shortfalls. Significantly, these shortfalls have necessitated NBRID to request and receive discretionary loans from the County totaling \$0.87 million over the last few years to maintain positive cash flows. It is unclear whether NBRID will be able to repay these loans or seek additional funding from the County given its persistent structural imbalance. The consent of residents to authorize rate increases to help address the operating shortfall is also in question given their successful protest vote of a proposed rate increase in 2009. A more recent effort by NBRID to raise water and sewer related charges – which currently average \$136 per month – have also been tabled by the District due to vocal opposition from residents.

### 3.0 Adopted Commission Boundaries

NBRID’s jurisdictional boundary is approximately 2.1 square miles or 1,320 acres in size. There are a total of 620 assessor parcels lying within NBRID with an overall assessed value of \$83.2 million. A review of the database maintained by the County Assessor’s Office indicates 352 of the assessor parcels have been developed as measured by the assignment of situs addresses.<sup>5</sup> There have been no changes to the jurisdictional boundary since formation.

The Commission adopted NBRID’s sphere in 1985 to include only assessor parcels in Units One and Two, Oakridge Estates, and the present day Lupine Shores site. The Commission updated the sphere with no changes in 2007 in deference to first completing a review of reorganization options due to diseconomies of scale and other issues raised in an earlier municipal service review. The sphere presently encompasses 0.4 square miles or 251 acres and represents less than one-fifths of NBRID’s jurisdictional boundary.

### 4.0 Population and Growth

#### 4.1 Residential Trends

Residential uses comprise nearly all development within NBRID and currently include 358 developed single-family residences with an estimated population of 920. All of these residences receive water and sewer services from NBRID. Berryessa Highlands’ Units One and Two include 349 residences with an estimated population of 897. The remaining nine residences with an estimated population of 23 are located outside Berryessa Highlands with the majority lying within Oakridge Estates.

<b>Residential Development</b>	
Highlands	349 Lots
Non-Highlands	9 Lots
Population:	920

NBRID has experienced a relatively high rate of new residential growth compared to the remaining unincorporated area over the last five years. This new growth has been tied to the development of 41 residential lots within Units One and Two with the largest percentage increase occurring in 2006. The development of these new lots has contributed to increasing NBRID’s total resident population by an estimated 118 or 2.9% annually since 2006 despite a moratorium on new sewer connections. The population growth rate, however, has decelerated in conjunction with the economic downturn

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<sup>5</sup> Developed assessor parcels with situs addresses in LBRID represent only 14% of the total land acres within the District.

beginning in earnest in 2007. The annual population growth rate during the current economic downturn is 1.6%. Nonetheless, despite the downturn, NBRID’s population growth rate during this latter period is still approximately four times greater than the remaining unincorporated area in Napa County.

**Past and Present Population Estimates**

(Source: LAFCO)

<b>Population</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
NBRID	802	864	907	917	920
% Increase From Prior Year	--	7.7	5.0	1.1	0.3
Remaining Unincorporated Area	27,265	27,244	27,825	27,797	27,733
% Increase From Prior Year	--	(0.1)	2.1	(0.1)	(0.2)

*\* Does not include previous seasonal residents associated with Steele Park*

In terms of future projections, it is reasonable to assume the rate of new residential growth in NBRID relative to the last two years will slightly decrease within the timeframe of this review from 1.6% to 1.3% annually.<sup>6</sup> This projected growth rate incorporates adjustments made by staff to ABAG estimates and assumes growth in NBRID will continue to outperform growth in the remaining unincorporated area consistent with the recent ratio of approximately four to one.<sup>7</sup> New growth will presumably be limited to developing the 215 remaining vacant lots in Units One and Two of Berryessa Highlands. The following table incorporates these assumptions in projecting NBRID’s future resident population.

**Future Population Projections**

(Source: LAFCO)

<b>Category</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
NBRID	932	944	956	969	981

*\* Assumes a uniform annual growth rate of 1.3%*

**4.2 Non-Residential Trends**

Non-residential uses in NBRID are limited to recreational camping at Lupine Shores. No public water or sewer services, however, are provided by NBRID at this time. It is reasonable to assume additional non-residential uses at Lupine Shores will significantly expand within the timeframe of this review to include transient-occupancy, commercial retail, and restaurant uses. Notably, the previous development on the concession site and its anticipated impacts on NBRID services were calculated to be the equivalent of 228 residential units. Preliminary discussions to date with the new concessionaire suggest the development of the resort site will be smaller in scale and will utilize conservation and green-building techniques resulting in significantly lower equivalent usage.

<sup>6</sup> NBRID is currently restricted from authorizing new sewer service connections by the RWQCB until certain improvements are made to the sewer collection and treatment system. For purposes of this review, staff assumes these improvements will be accomplished by NBRID within the next year, allowing for population increases.

<sup>7</sup> NBRID’s population increase over the remaining unincorporated area is specifically 3.7:1 since 2007.

## 5.0 Organizational Structure

### 5.1 Governance

NBRID operates under Public Resources Code Sections 13000-13233, and as previously noted, is known as the Resort Improvement District Law.<sup>8</sup> The law was enacted in 1961 for purposes of providing an alternative method for funding and furnishing a full range of extended municipal services – including land use planning powers – within large unincorporated areas to support seasonal recreational resort uses. The law was fashioned by the Legislature to facilitate recreational resort sites similar to the Squaw Valley in Placer County, which had been developed to host the 1960 Winter Olympic Games. In 1965, after the hearings were held by the Assembly into suspected abuses by affected special districts, the law was amended to prohibit the creation of new resort improvement districts. The law was further amended in 1971 to allow affected special districts to only provide those municipal services already provided or budgeted as of July 1, 1970. There are currently six other special districts operating under this law in California.

NBRID was organized at the time of its formation as a dependent special district governed by the County Board of Supervisors.<sup>9</sup> As a result of the aforementioned principal act amendment in 1971, NBRID is authorized only to provide water and sewer services. Supervisors are elected by division and serve staggered four-year terms. NBRID meetings are generally scheduled once per month on the first Tuesday at the County Administration Building with special meetings calendared as needed. Elections are based on a registered-voter system. The County reports there are currently 529 registered voters residing in NBRID.

### 5.2 Administration

NBRID contracts with the County for administrative services. The County Public Works Director serves as District Manager/Engineer and is principally responsible for overseeing day-to-day operations, which includes operating and maintaining the agency's water and sewer systems. Public Works assigns a full-time technician to provide onsite operational services at NBRID. The onsite technician is supervised by a licensed operator who generally divides his or her time on a 60 to 40 split between LBRID and NBRID. Other continual administrative duties performed by Public Works include budgeting, purchasing, billing, contracting, and customer service. NBRID's legal and accounting services are provided by County Counsel and County Auditor-Controller's Office, respectively.

## 6.0 Municipal Services

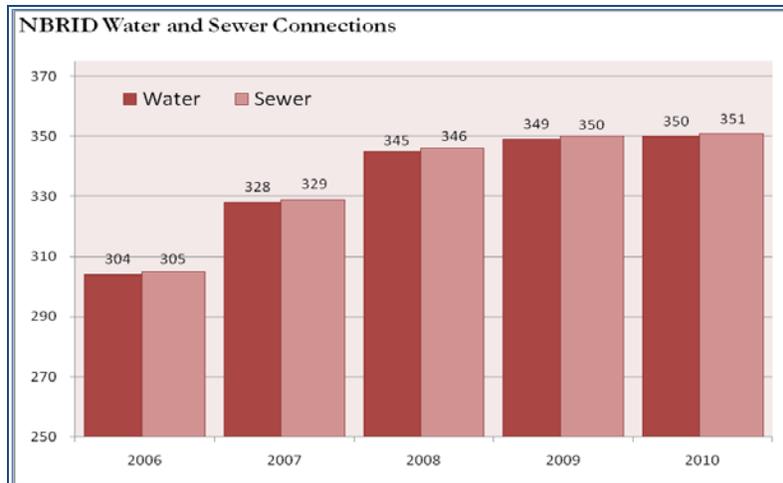
NBRID directly provides water and sewer services within Berryessa Highlands and Oakridge Estates. (Water and sewer services to Steele Park were discontinued in 2008 pending the site's redevelopment as Lupine Shores.) There are currently 350 water connections and 351 sewer connections serving 358 single-family residences.<sup>10</sup> NBRID has experienced a 15% overall increase in the number of its service connections in the last five years as reflected in the following chart.

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<sup>8</sup> There are a total of seven resort improvement districts operating in California.

<sup>9</sup> The Board of Supervisors may delegate governance authority of NBRID to a five-member board of directors, four of which shall be elected from the District and the fifth shall be the supervisor representing the area.

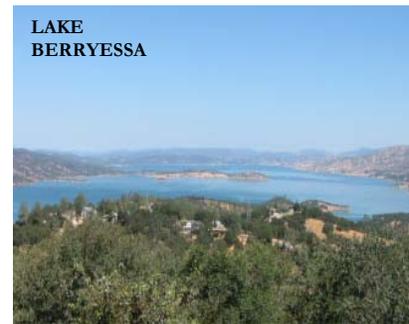
<sup>10</sup> The additional sewer connection involves \*\*\*\*\*.



## 6.1 Water Service

### *Supply*

NBRID’s water supply is entirely drawn from Lake Berryessa and secured through an agreement with NCFWCWD. The agreement was initially entered into in 1966 and most recently amended in 2006. It provides NBRID an annual entitlement of 300 acre-feet of raw (non-treated) water through 2028. Raw water from Lake Berryessa is captured from a floatable intake powered by two electric pumps with a combined daily conveyance capacity of 755,000 gallons or 2.3 acre-feet.



The full delivery of NBRID’s entitlement is considered reliable given the current and historical storage levels at Lake Berryessa. The supply entitlement is also more than sufficient to accommodate current as well as projected buildout demands in NBRID, which have been calculated by staff to total 135.6 acre-feet.<sup>11</sup>

### *Demand*

NBRID’s total water demand in 2009-2010 equaled approximately 71.4 acre-feet. This amount represents an average daily demand of nearly 0.2 acre-feet, or 63,751 gallons. This current demand equals nearly one-fourth of NBRID’s annual water entitlement, resulting in an available supply capacity of 228.6 acre-feet.

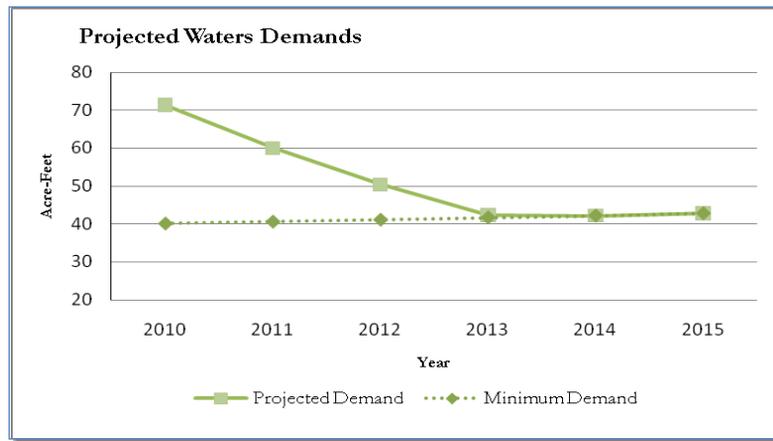
In terms of user trends, NBRID has experienced over a two-thirds decline in annual water demands over the last five years. This decrease is principally attributed to the closure of Steele Park Resort in May 2008 and water conservation resulting from user charge increases. In particular, user charges have increased on average from \$23.68 to \$42.95 since 2006; an approximate 80% increase. The peak day water demand equals close to 1.5 acre-feet and is nearly eight times greater than the current daily average.

<sup>11</sup> NBRID’s current annual water demand is 71.4 acre-feet. There are an additional 267 privately-owned lots within NBRID that are not currently connected to the District’s water system. Based on current usage demands, it is reasonable to assume the buildout of these lots would increase NBRID’s total annual water demand from 71.4 to 135.6 acre-feet.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Annual Demand (Acre-Feet)	204.9	137.4	137.7	105.9	71.4
Average Day Demand (Acre-Feet)	0.56	0.38	0.38	0.29	0.20
Average Day Demand Per Developed Lot (Gallons)	--	--	--	265.0	178.2

\* Steele Park Resort closed in May 2008

Similar to LBRID, projecting future water demands within NBRID is challenging given the current contrast in which actual usage has decreased despite an overall increase in population. Given this contrast, it is reasonable to assume future water demands will continue to decrease yearly by 16.0% consistent with the average annual decline following the May 2008 closure of Steele Park Resort until reaching a minimum threshold sufficient to provide 100 daily gallons to each developed lot.<sup>12</sup> Based on these assumptions, NBRID’s annual water demand will eventually stabilize at 42.2 acre-feet in 2014 before experiencing slight increases consistent with projected new development. NBRID’s available water supply is sufficient to meet these projected demands within the timeframe of this review.



\* Assumes demands will continue to decrease annually at a 16.0% rate until reaching a minimum threshold sufficient to provide 100 daily gallons to each developed lot.

## Capacity

NBRID’s water treatment facility was constructed in 1968 and disinfects and filters raw water conveyed from Lake Berryessa. Coagulants and disinfectants are added and mixed as raw water is conveyed into the treatment facility’s clarifier, which facilitates the sedimentation of solids. Solids are removed as water is cycled through a filter take before entering into a 30,000 gallon clearwell tank. The clearwell tank finalizes the disinfection process by allowing water to complete its necessary chlorine contact time. Finished water remains in the clearwell tank until storage levels within the distribution system require recharge.

NBRID’s water treatment facility is designed to process up to 425 gallons per minute, resulting in a daily capacity of 612,000 gallons, or 1.9 acre-feet. Current average day and peak day demands total 0.20 and 1.5 acre-feet. These amounts equal 10% and 80%, respectively, of the facility’s daily capacity.

<sup>12</sup> LAFCO projects there will be 382 developed lots served by NBRID by 2015.

NBRID’s distribution system consists of waterlines ranging in size from two to twelve inches. Nearly all waterlines were constructed in the late 1960s. The distribution system overlays six interconnected pressure zones ranging in elevation from 540 to 1,110 feet. Pressure is maintained by a 500,000 gallon storage tank, which is located above the six zones and charges the distribution system through gravity. Recharge occurs when levels in the storage tank fall below a designated marker adjusted seasonally and is accomplished by discharging and lifting treated water from the clearwell tank into the distribution system. Recharge is dependent on an electric pump with a backup diesel engine that has a daily capacity of 1.9 acre-feet.

**Storage and Treatment Capacities and Demands**

(Source: NBRID/LAFCO)

Treatment Capacity	Storage Capacity	Current Average Day Demand	Current Peak Day Demand
1.90 Acre-Feet/ 619,210 Gallons	1.53 Acre-Feet/ 498,627 Gallons	0.20 Acre-Feet/ 65,180 Gallons	1.50 Acre-Feet/ 488,850 Gallons

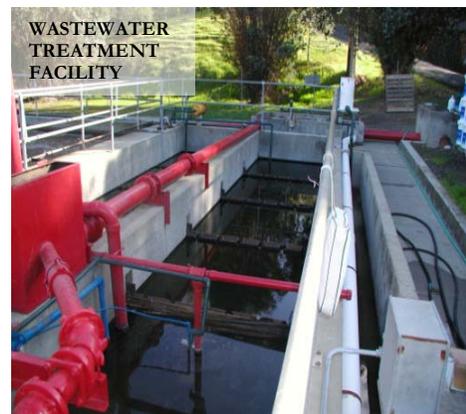
In terms of sufficiency, as reflected in the above chart, current treatment and storage capacities within the distribution system’s interconnected pressure zones are adequate with respect to accommodating current average and peak day demands. Expanding storage capacity appears most pressing with respect to accommodating additional development given current peak day demands are nearing available capacity. Any development at Lupine Shores will likely trigger the need for additional storage capacity and possibly more treatment capacity depending on the scope of the project. As noted in preceding sections, new growth within the remainder of NBRID is expected to be relatively minimal over the next several years and not expected to independently generate the need for additional storage and treatment capacities.

**6.2 Sewer Service**

***Collection and Treatment Systems***

NBRID’s collection system consists of approximately 6.4 miles of sewer lines and four pump stations. All sewer lines comprise clay pipe and are 25 years or older. NBRID provides a secondary level of treatment to raw sewage as it enters the collection system through individual laterals and is conveyed through a series of gravity lines, force mains, and pump stations into the District’s wastewater treatment facility.

NBRID’s wastewater treatment facility was constructed in 1968. Treatment begins as raw sewage is initially screened as it enters the facility before settling in an aeration basin with a holding capacity of 89,266 gallons. Solids are removed and conveyed to an adjacent digester/holding basin before their disposal at a nearby drying pond. Oxidized sewage from the aeration basin is conveyed into two rectangular clarifiers before being pumped into a finishing pond with a holding capacity of 370,000 gallons. Sewage is disinfected with chlorine in the finishing pond prior to being pumped approximately one mile for spray discharge onto four contiguous hillside fields that are collectively 60 acres in size. The spray irrigation system is pressurized by a 50,000 gallon tank.



### Collection and Treatment Systems

(Source: NBRID and LAFCO)

#### Collection System

Miles of Gravity Sewer Lines	5.2 Miles
Miles of Forced Sewer Lines	1.2 Miles
Percent of Sewer Lines 25 Years or Older	100%

#### Treatment System

Treatment Level	Secondary
Treated Storage Capacity	1.14 Acre-Feet/ 0.37 Million Gallons
Discharge Type	Sprayfield Irrigation/60 Acres

### Capacity and Demand

NBRID's wastewater treatment facility has design daily dry-weather and wet-weather flow capacities of 113,000 and 200,000 gallons, respectively. These treatment capacities sufficiently accommodate NBRID's current average dry-weather and wet-weather flow demands of 63,000 and 80,000 gallons. Peak day wet-weather flow totals, however, substantially exceed NBRID's design treatment capacities as well as temporary overflow facilities and currently total 310,000 gallons.

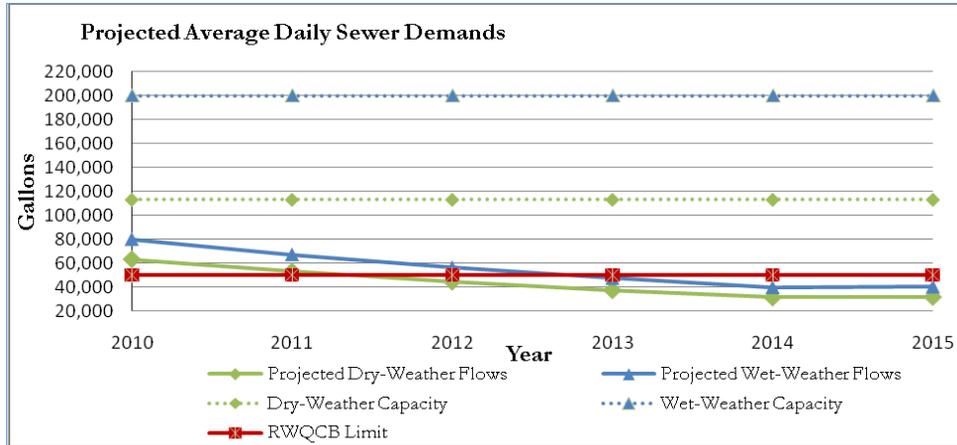
NBRID's wastewater storage and discharge capacities are insufficient to meet current flow demands. These insufficiencies are attributed to excessive inflow/infiltration along with drainage deficiencies at the sprayfield site causing uncontrolled runoff. These factors have directly resulted in a series of spills beginning in the mid 1990s leading to numerous violations and three cease and desist orders from RWQCB between 1995 and 2010. Significantly, given these storage and discharge deficiencies, NBRID is currently prohibited from adding any new sewer connections and directed to limit its average daily sewer flows to no more than 50,000 gallons; an amount the District continues to exceed. The following table summarizes NBRID's existing sewer capacities and demands with respect to treatment and discharge.

#### Daily Sewer Capacity and Current Demand Totals in Gallons

(Source: NBRID and LAFCO)

Average Dry Weather Capacity	Average Wet Weather Capacity	Average Dry Weather Demand	Average Wet Weather Demand	Peak Wet Weather Demand
0.35 Acre-Feet/ 113,000 Gallons	0.61 Acre-Feet/ 200,000 Gallons	0.19 Acre-Feet/ 63,000 Gallons	0.25 Acre-Feet/ 80,000 Gallons	0.95 Acre-Feet/ 310,000 Gallons

NBRID's current dry-weather sewer flow amounts equal close to 100% of present daily water usage. This ratio is higher than the 80% sewer-to-water standard and helps validate suspected excessive inflow/infiltration in the collection system. With respect to projecting future demands, it is reasonable to assume average dry-weather sewer flows will continue to equal one-to-one projected water usage in NBRID. It is also reasonable to assume average wet-weather flows will continue to equal 127% of average dry-weather flows. If these assumptions prove accurate, NBRID has sufficient treatment capacities to accommodate – in terms of design capacities – projected average dry-weather and wet-weather flows within the timeframe of this review. However, as mentioned, the projected flow amounts will continue to exceed NBRID's current RWQCB prescribed daily flow limit of 50,000 gallons through 2013 as reflected in the following chart.



\* Projections assume a baseline in which inflow and infiltration flows will reflect current levels

## 7.0 Financial

### *Audited Assets, Liabilities, and Equity*

NBRID’s financial statements are prepared by the County Auditor-Controller and included in its annual report at the conclusion of each fiscal year. The most recent issued report was prepared for the 2009-2010 fiscal year and includes audited financial statements identifying NBRID’s total assets, liabilities, and equity as of June 30, 2010. These audited financial statements provide quantitative measurements in assessing NBRID’s short and long-term fiscal health and are summarized below.

#### Assets

NBRID’s assets at the end of the fiscal year totaled \$0.85 million. Assets classified as current, with the expectation they could be liquidated into currency within a year, represented slightly more than 43% of the total amount with two-thirds tied to cash investments.<sup>13</sup> Assets classified as non-current represented the remaining amount with the largest portion associated with depreciable structures.<sup>14</sup>

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Current Assets	0.295	0.155	0.105	0.097	0.361
Non-Current Assets	0.612	0.579	0.553	0.514	0.487
Total Assets	\$0.907	\$0.734	\$0.658	\$0.611	\$0.848

#### Liabilities

NBRID’s liabilities at the end of the fiscal year totaled \$0.94 million. Current liabilities representing obligations owed within a year accounted for the majority of the total amount and are primarily tied to debt obligations owed to the County due within the upcoming year. NBRID’s non-current liabilities representing long-term obligations are tied to additional loans payable to the County.

<sup>13</sup> Current assets totaled \$0.361 million and include cash investments (\$0.273 million), taxes receivable (\$0.018 million), accounts receivable (\$0.053 million), and assessments receivable (\$0.016 million).

<sup>14</sup> Non-current assets totaled \$0.487 million and include land (\$0.044 million), structures and improvements (\$1.718 million), and equipment (\$0.126 million) minus accumulated depreciation (\$1.401 million).

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Current Liabilities	0.042	0.070	0.533	0.529	0.547
Non-Current Liabilities	0.000	0.000	0.000	0.000	0.395
Total Liabilities	\$0.042	\$0.070	\$0.533	\$0.529	\$0.942

### *Equity*

NBRID's equity at the end of the fiscal year totaled (\$0.09 million) and represents the difference between NBRID's total assets and total liabilities. Markedly, the end of year equity amount incorporates (\$0.58) million in unrestricted funds. This negative unrestricted fund balance is attributed to recurring net operating losses with the 2009-2010 fiscal year totaling (\$0.18) million.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Capital Asset Funds	0.612	0.579	0.553	0.514	0.487
Restricted Funds	0.000	0.000	0.000	0.000	0.000
<b>Unrestricted Funds</b>	<b>0.253</b>	<b>0.085</b>	<b>(0.428)</b>	<b>(0.433)</b>	<b>(0.581)</b>
Total Equity	\$0.865	\$0.664	\$0.125	\$0.081	(\$0.094)
<i>Change</i>	<i>(\$0.008)</i>	<i>(\$0.201)</i>	<i>(\$0.539)</i>	<i>(\$0.043)</i>	<i>(\$0.175)</i>

NBRID's financial statements for 2009-2010 reflect the District experienced a significant negative change in its fiscal standing as its overall equity, or fund balance, decreased by over two-fold from \$0.08 to (\$0.09 million). The financial statements also reflect NBRID's unrestricted fund balance has further fallen by 330% over the last five audited fiscal years from \$0.25 to (\$0.58 million). This decrease in the unrestricted fund balance has been attributed to recurring and escalating net income losses beginning in 2006-2007 totaling \$0.96 million.

#### **2009-10 Financial Statements**

Assets	\$0.848 million
Liabilities	\$0.942 million
Equity	(\$0.094 million)

Calculations performed assessing NBRID's liquidity, capital, and profitability for 2009-2010 indicate the District finished the fiscal year with marginally adequate resources to meet short-term operational costs with significant uncertainties regarding its long-term solvency. In particular, NBRID finished with low liquidity as measured by current liabilities exceeding current assets by close to one-half. NBRID did finish with cash reserves sufficient to cover 141 days of operating expenses, but this measurement is misleading given the majority of available cash was tied to a loan from the County. Additionally, along with finishing with long-term debt equal to nearly half of its net assets, NBRID's operating expenses exceeded operating revenues by one-half.<sup>15</sup> An expanded discussion on revenues-to-expenses is provided in the following section.

### *Revenue and Expense Trends*

A review of NBRID's audited revenues and expenses identifies the District has finished each of the last five fiscal years with negative end-of-year balances. The 2007-2008 year marked the largest end-of-year shortfall at \$0.54 million during this period and is primarily tied to a sharp increase in service expenses tied to NBRID contracting with HydroScience Engineers to provide design services for capital improvements and assist with regulatory reporting requirements. An expanded review of NBRID's audited end-of-year revenues and expenses within its two fund categories follows.

<sup>15</sup> NBRID's operating margin as of June 30, 2010 was (0.46).

<b>Fund Category</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
<b>Operations</b>					
Revenues	676,043	389,059	627,018	619,520	519,467
Expenses	(709,907)	(657,015)	(1,232,966)	(725,094)	(758,134)
<b>Non-Operations</b>					
Revenues	26,041	67,097	72,072	74,857	70,991
Expenses	0	0	(5,459)	(12,686)	(7,705)
	(\$7,823)	(\$200,859)	(\$539,335)	(\$43,403)	(\$175,381)

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

### ***Current Budget***

NBRID's adopted amended budget for 2010-2011 totals \$1.49 million. This amount represents NBRID's total approved expenses or appropriations for the fiscal year within its lone budget unit: operations. An expanded review of expenses and revenues follows.

#### ***Operations***

NBRID's operations budget unit supports basic District water and sewer activities. Approved expenses total \$1.49 million with 55% of the apportionment dedicated to services and supplies with the majority of costs tied to performing general maintenance and repair for the water and sewer systems. Approved expenses also include \$0.13 million to Lescure Engineers to provide supplemental staff support services as well as County administrative costs. Estimated revenues are projected at \$1.30 million with service charges with 54% of the proceeds expected to be generated from usage and availability charges. A new \$0.47 million loan from the County is also budgeted for the fiscal year.

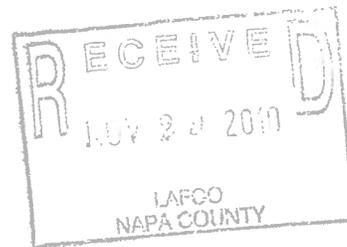
<b>2010-11 Adopted Operations</b>	
Revenues	\$1.30 million
Expenses	\$1.49 million
Difference	(\$0.19 million)
Beginning Balance	\$0.29 million
Est. Ending Balance	\$0.12 million

In absence of an unexpected positive net revenue total, NBRID is expected to experience a \$0.19 million operating shortfall in 2010-2011. This operating shortfall would further draw down its budgeted unrestricted fund balance from \$0.29 million to \$0.12 million (rounded). (This budgeted amount incorporates \$474,000 in earlier loans from the County provided over the last several years to provide emergency cash flow.) Additionally, due to the projected shortfall, no operating contingencies have been budgeted for the fiscal year.

**Simonds, Keene**

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**From:** JoAnn Williams [williajaws@att.net]  
**Sent:** Monday, November 29, 2010 1:17 PM  
**To:** Simonds, Keene  
**Cc:** Bart Barthelemy; GFinch@pensus.com  
**Subject:** NBRID Formation to CSD



November 29, 2010

Keene Simonds  
Executive Officer  
LAFCO of Napa County  
1700 Second Street, Suite 268  
Napa, CA 94559-2409

RE: NBRID Formation of Community Service District

Dear Mr. Simonds:

I am sending this letter via email to document our concerns for the formation of a Community Service District under Sections 61000-61226.5 Government Code for NBRID.

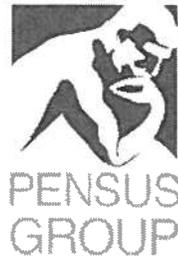
We, as a community, are concerned that prior to the formation of CSD, processes to ensure financial stability and regulatory compliance need to be instituted.

We feel as a condition precedent to the formation of the CSD, that some, if not all, of the following should take place to ensure the initial success of the CSD:

1. The District's obligations to the County from previous loans, should be discharged, with no further obligation to the CSD;
2. There should be a reserve of at least thirty percent (30%) of the operating budget, in a segregated account to cover unexpected contingencies;
3. The County should be financially responsible for compliance with regulatory requirements imposed and not met during the period of time they operated the district;
4. There is in place a contract with a licensed provider to assume all technical operational, administrative and financial responsibilities for the CSD to supply water for any beneficial uses and collect, treat and dispose of sewage, waste water, recycled water and storm water in the same manner as a sanitary district;
5. The County and the existing Board of Directors will transfer all water rights, development rights, use permits and all other existing entitlements, including the obligation of the Pensus Group or any other successor concessionaire to remain as a part of the CSD;
6. The Pensus Group as the designated concessionaire for the Lupin Shores Resort, shall agree in writing to be part of the CSD for any supply of water for their beneficial use, and for any collection treatment or disposal of sewage, waste water, recycled water and storm water.

Sincerely,

Bart Barthelemy & Stuart Williams  
NBRID Rate Committee



November 29, 2010

Keene Simonds  
Executive Officer  
LAFCO of Napa County  
1700 Second Street, Suite 268  
Napa, CA 94559-2409

Re: Support for converting NBRID to a Community Service District

Dear Mr. Simonds:

The Pensus Group, as the most recent member of the Napa Berryessa Resort Improvement District supports the conversion of this district to a Community Service District for the reasons contained herein.

Pensus would prefer to deal with an independent board, one composed of members of the district who stand to gain or lose from the actions of the board, because we believe it would be more effective in achieving the following objectives:

1. Flexibility with regard to construction cost and timing of the system upgrades;
2. Scalability of the system's capacity which is necessary because Pensus's development is largely based on market demand and so its long term water and wastewater needs are difficult to estimate on the front end;
3. Fiscal responsibility and the success of the district

Overall we believe that the interests of an independent board will be more aligned with those of Pensus which will result in a more cost effective and efficient process.

In addition, in order to provide for the financial stability and sustainability of the Community Service District it is necessary to effectively recapitalize the district. Pensus feels forgiveness of all loans made to the district by Napa County would be an appropriate first step in order to ensure the initial success of the new Community Service District.

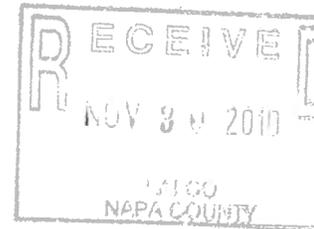
Sincerely,

Georgi Maule-ffinck

# NAPA BERRYESSA RESORT IMPROVEMENT DISTRICT

November 9, 2010

Local Agency Formation Commission  
1700 Second Street, Suite 268  
Napa, CA 94559



Re: NBRID Expedited Reorganization Under SB 1023

Commissioners:

As your Commission is likely aware, SB 1023, authored by Senator Wiggins (co-authored by Assembly Member Evans) and supported by Napa County, Napa Berryessa Resort Improvement District (NBRID) and Lake Berryessa Resort Improvement District (LBRID), was signed into law on July 9, 2010. The changes to the Cortese-Knox-Hertzberg Local Government Reorganization Act enacted by SB 1023 authorize the Local Agency Formation Commission to approve or conditionally approve an expedited reorganization of specified districts into community services districts. The new district has the same powers, duties, responsibilities, obligations, liabilities, and jurisdiction of the district proposed to be dissolved, unless the governing body of the district proposed to be dissolved files a resolution of objection with the commission.

NBRID was created in 1965 with the intention of serving the existing residences in the Steele Canyon Road area, Steele Park Resort, and a proposed 1,700 unit resort community with a service area of 1,963 acres, known as Berryessa Highlands. Due to various factors, however, the development of Berryessa Highlands was limited to two phases, which together created only 561 lots.

The County of Napa Board of Supervisors sit as NBRID's Board of Directors. Napa County Public Works has provided staff services for NBRID since its inception in 1965. Originally intended to provide a broader range of services, the NBRID became limited by a 1971 change in state law to provide only domestic water and sewage services.

In the Commission's 2007 Sphere of Influence (SOI) Report for NBRID it was noted that there was a "need for LAFCO to conduct a governance study to evaluate the options and merits of reorganizing or consolidating NBRID with other special districts serving

the Lake Berryessa region.” In recent years, residents of the Berryessa Highlands have supported the formation of an assessment district to self-fund necessary water and sewer system upgrades and improvements, but rejected efforts by NBRID to increase water and sewer rates sufficient (in the opinion of County staff) to maintain and operate NBRID’s facilities. These events point to a desire on the part of local residents to enjoy a greater degree of self-determination over the services currently provided by NBRID. Accordingly, the NBRID Board and a group of citizen representatives have come together to place greater emphasis on local governance of the District, first by moving to contract District Engineer and Operations & Maintenance functions with a private company, and second to recommend to LAFCO the reorganization of NBRID into an independent district, i.e., a community services district (CSD) with a locally elected board of directors.

It is in this spirit that the NBRID Board of Directors took action this date to authorize its chair to sign and forward to your Commission this request that LAFCO initiate expedited proceedings to cause the reorganization of the Napa Berryessa Resort Improvement District into a self-governing, independent community services district.

It is the goal of this Board to see such a reorganization occur as soon as is practicable, in order to assure a smooth transition to new governance by the beginning of the next fiscal year. Accordingly it is recommended that LAFCO condition the reorganization upon an election, pursuant to Government Code section 56885.5 (d), placing the question of having an elected board of directors on the election ballot. Voters shall also elect members to the district's board of directors; those persons shall take office only if a majority of the voters voting upon the question of having an elected board are in favor of the question.

Thank you for your attention and prompt consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Diane Dillon".

Diane Dillon

Chair, Board of Directors