



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

1700 Second Street, Suite 268
Napa, California 94559
(707) 259-8645 Telephone
<http://napa.lafco.ca.gov>

Juliana Inman, Chair
Bill Dodd, Vice Chair
Lewis Chilton, Commissioner
Brian J. Kelly, Commissioner
Brad Wagenknecht, Commissioner
Joan Bennett, Alternate Commissioner
Mark Luce, Alternate Commissioner
Gregory Rodeno, Alternate Commissioner

REGULAR MEETING AGENDA

Monday, December 6, 2010
County of Napa Administration Building
1195 Third Street, Board Chambers
Napa, California 94559

1. CALL TO ORDER; ROLL CALL: 4:00 P.M.

2. PLEDGE OF ALLEGIANCE

3. AGENDA REVIEW

Requests by Commissioners to re-arrange agenda items will be considered by the Chair at this time.

4. PUBLIC COMMENTS

In this time period, anyone may comment to the Commission regarding any subject over which the agency has jurisdiction. No comments will be allowed involving any subject matter that is scheduled for hearing, action, or discussion as part of the current agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Commission as a result of any item presented at this time.

5. CONSENT ITEMS

All items calendared as consent are considered ministerial or non-substantive. With the concurrence of the Chair, a Commissioner may request discussion of an item on the consent calendar.

a) First Quarter Budget Report for 2010-2011 (Action)

The Commission will receive and file a first quarter budget report for 2010-2011. The report compares budgeted versus actual revenues and expenses through the first three months and projects the Commission will finish the fiscal year with an operating surplus of approximately \$9,800.

b) Approval of Regular Meeting Calendar for First Half of 2011 (Action)

The Commission will consider approving a regular meeting calendar for the first six months of 2011. It is recommended the Commission approve meeting dates for February 7th, April 4th, and June 6th.

c) Meeting Minutes (Action)

The Commission will consider approving draft meeting minutes prepared for the October 4, 2010 meeting.

d) Expiring Commissioner Terms in 2011 (Information)

The Commission will receive a report identifying the member terms scheduled to expire in 2011. The report is being presented for information.

e) Designation of Chair and Vice Chair for 2011 (Information)

The Commission will receive a report regarding the designation of the Chair and Vice Chair for the 2011 calendar year. The report is being presented for information.

f) Current and Future Proposals (Information)

The Commission will receive a report summarizing current and future proposals. The report is being presented for information. No new proposals have been submitted since the October 4, 2010 meeting.

g) Report on Website Visits (Information)

The Commission will receive a report summarizing visitor traffic to the agency's new website since August 2010. The report is being presented for informational purposes only.

6. PUBLIC HEARING ITEMS

Any member of the public may address the Commission with respect to a scheduled public hearing item. Comments should be limited to no more than five minutes unless additional time is permitted by the Chair.

a) Concurrent Municipal Service Review and Sphere of Influence Update on County Service Area No. 4

The Commission will receive a final report from staff representing the agency's scheduled municipal service review and sphere of influence update for County Service Area No. 4. The report is being presented to the Commission to receive and file. The Commission will also consider adopting resolutions confirming the determinative statements in the final report, including updating the sphere of influence with no changes.

PUBLIC HEARING ITEMS CONTINUED...

b) Concurrent Municipal Service Review and Sphere of Influence Establishment for Napa County Regional Park and Open Space District

The Commission will receive a final report representing its scheduled municipal service review and sphere of influence establishment for the Napa County Regional Park and Open Space District. The final report includes a limited number of revisions from its draft presentation in October and is being presented to the Commission to receive and file. The Commission will also consider adopting resolutions confirming the determinative statements in the final report, including establishing a sphere of influence coterminous with the District's jurisdictional boundary.

7. ACTION ITEMS

Items calendared for action do not require a public hearing before consideration by the Commission. Applicants may address the Commission. Any other member of the public may receive permission to provide comments on any item at the discretion of the Chair.

a) Proposed Reorganization to Annex the Town Center Site to the City of American Canyon and American Canyon Fire Protection District

The Commission will consider a joint proposal from the City of American Canyon and the American Canyon Fire Protection District to annex unincorporated territory designated under the City General Plan as Town Center. The affected territory represents one contiguous area totaling 315.3 acres. Staff recommends approval of the proposal with a modification to concurrently detach a significant portion of the affected territory from County Service Area No. 4. The County Assessor identifies the affected parcels as 059-020-011, 059-020-010, 059-020-032, 059-020-029, 059-020-009, 059-020-008, 059-030-003, 059-020-026, and 059-020-030.

b) Appointments to the 2011-2012 Budget Committee

The Commission will consider appointing two members to serve with the Executive Officer on the 2011-2012 Budget Committee.

c) Financial Audit for Fiscal Year Ending June 30, 2010

The Commission will review a written report from an outside consultant auditing the agency's financial statements for the 2009-2010 fiscal year. The report is being presented to the Commission to receive and file.

8. DISCUSSION ITEMS

A member of the public may receive permission to provide comments on any item calendared for discussion at the discretion of the Chair.

a) 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.

9. EXECUTIVE OFFICER REPORT

The Commission will receive a verbal report from the Executive Officer regarding current staff activities, communications, studies, and special projects. This includes, but is not limited to, the following topics:

- Ad Hoc Committee on Policies and Procedures
- California Association of Local Agency Formation Commission's 2010 Annual Conference
- Legislative Efforts to Amend Government Code Section 56133

10. CLOSED SESSION

a) Public Employee Performance Evaluation for Executive Officer

11. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

12. ADJOURNMENT TO NEXT REGULAR SCHEDULED MEETING:

See Agenda Item No. 5b.

Materials relating to an item on this agenda that have been submitted to the Commission after distribution of the agenda packet are available for public inspection at the LAFCO office during normal business hours. Commissioners are disqualified from voting on any proposals involving entitlements of use if they have received campaign contributions from an interested party. The law prohibits a Commissioner from voting on any entitlement when he/she has received a campaign contribution(s) of more than \$250 within 12 months of the decision, or during the proceedings for the decision, from any interested party involved in the entitlement. An interested party includes an applicant and any person with a financial interest actively supporting or opposing a proposal.



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December 6, 2010
Agenda Item No. 5a (Consent: Action)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: First Quarter Budget Report for 2010-2011

The Commission will receive and file a first quarter budget report for 2010-2011. The report compares budgeted versus actual revenues and expenses through the first three months and projects the Commission will finish the fiscal year with an operating surplus of approximately \$9,800.

The Cortese Knox-Hertzberg Local Government Reorganization Act of 2000 mandates operating costs for Local Agency Formation Commissions (LAFCOs) shall be annually funded by the affected counties, cities, and, if applicable, special districts. In most instances, the county is responsible for one-half of the LAFCO's annual budget with the remaining amount proportionally shared by the cities based on a weighted calculation of population and tax revenues. LAFCOs are also authorized to establish and collect fees for purposes of offsetting agency contributions.

A. Discussion

LAFCO of Napa County's ("Commission") adopted final budget for 2010-2011 totals \$413,480. This amount represents the total approved operating expenditures for the fiscal year within the Commission's three expense units: salaries/benefits; services/supplies; and capital replacement. Budgeted revenues total \$371,020 within three revenue units: agency contributions; service charges; and investments. The expected operating shortfall will be covered by drawing down on the Commission's unreserved/undesignated fund balance, which totaled \$164,728 as of July 1, 2010. A comparison of budgeted and actual revenues and expenses through the first quarter follows.

Overall Revenues

Actual revenues collected through the first quarter totaled \$348,328. This amount represents 94% of the adopted budget total with 25% of the fiscal year complete. The following table summarizes budgeted versus actual revenues through the first quarter.

Adopted and Actual Revenues Through the First Quarter

Budget Units	Adopted Revenues	Actual Revenues	Difference
Agency Contributions	356,020	345,377	(10,643)
Service Charges	10,000	2,951	(7,049)
Investments	5,000	0	(5,000)
Total	371,020	348,328	(22,692)

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Councilmember, City of Napa

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Councilmember, City of American Canyon

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Representative of the General Public

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Keene Simonds
Executive Officer

An expanded discussion on budgeted and actual revenues through the first quarter follows.

Agency Contributions

The Commission budgeted \$356,020 in agency contributions in 2010-2011. Half of the total was invoiced to the County of Napa (\$178,009) with the remaining amount proportionally invoiced based on population and general tax revenues to the Cities of American Canyon (\$27,468), Calistoga (\$10,642), Napa (\$119,647), St. Helena (\$12,657), and Yountville (\$7,596). All invoices were paid through the end of the first quarter with the exception of Calistoga. Staff has issued a reminder letter to Calistoga and anticipates payment shortly.

Service Charges

The Commission budgeted \$10,000 in service charges in 2010-2011. At the end of the first quarter, actual revenues collected within this unit totaled \$2,951. The majority of this amount is tied to additional staff time billed to the City of American Canyon in processing the Devlin Road/South Kelly Road Reorganization proposal. Staff anticipates finishing the fiscal year with actual revenues exceeding \$10,000 based on current and anticipated proposal activity in 2010-2011.

Investments

The Commission budgeted \$5,000 in investment income in 2010-2011. This budgeted amount is entirely tied to interest earned on the Commission's fund balance, which is under investment by the County of Napa Treasurer. The first allocation of earned interest will not be issued by the Treasurer until the end of the second quarter.

Overall Expenses

Actual expenses through the first quarter, including encumbrances, totaled \$97,859. This amount represents 24% of the adopted budget with 25% of the fiscal year complete. The following table summarizes budgeted versus actual expenses through the first quarter.

Adopted and Actual Expenses Through the First Quarter

Budget Units	Adopted Expenses	Actual Expenses	Balance
Salaries/Benefits	293,973	53,151	240,822
Services/Supplies	115,575	44,707	70,868
Capital Replacement	3,932	0	3,931
Total	\$413,480	\$97,859	\$315,620

An expanded discussion on budgeted and actual expenses through the first quarter follows.

Salaries/Benefits

The Commission has budgeted \$293,973 in salaries and benefits in 2010-2011. At the end of the first quarter, the Commission's actual expenses within the eight affected accounts totaled \$53,151, representing 18% of the budgeted amount. None of the affected accounts finished the first quarter with balances below 75%.

Services/Supplies

The Commission has budgeted \$115,575 in services and supplies in 2010-2011. At the end of the first quarter, the Commission's actual expenses within the 15 affected accounts totaled \$44,707. These total expenditures represent 39% of the budgeted amount. Five accounts - memberships, general departmental expense, property lease, special departmental expense, and training - finished the first quarter with balances below 75%. A summary of expenditures in these five accounts follows.

Membership

This account covers the Commission's annual membership fee for the California Association of Local Agency Formation Commissions (CALAFCO). The Commission's budgeted membership fee in 2010-2011 is \$2,275 and reflects the amount approved by CALAFCO as part of an updated annual fee schedule in September 2008. CALAFCO recently suspended all fee increases due to the economy, which lowers the Commission's annual membership due to \$2,200. This reduced membership fee was collected in full by CALAFCO at the beginning of the fiscal year leaving a remaining balance of \$75, or 3%.

General Departmental Expenses

This account covers the Commission's general overhead costs ranging from a copy machine lease with Xerox to biweekly purchases with Office Depot. The Commission budgeted \$15,000 for general departmental expenses in 2010-2011. At the end of the first quarter, the Commission spent \$5,547 in this account, which represents approximately 37% of the total amount budgeted. The majority of this expense is attributed to encumbering the Commission's full cost to lease its copy machine with Xerox at the beginning of the fiscal year. Staff will continue to monitor this account to help ensure a year-end deficit does not occur.

Property Lease

This account covers the Commission's annual office space lease at 1700 Second Street in Napa. The Commission budgeted \$29,280 in this account in 2010-2011, reflecting its current monthly rental charge of \$2,440.¹ The County Auditor's Office has encumbered the full annual rental amount at the beginning of the fiscal year to expedite monthly payments to the property manager.

Special Departmental Expenses

This account covers the Commission's special overhead purchases ranging from furniture to wall decorations. The Commission budgeted \$1,000 for special departmental expenses in 2010-2011. At the end of the first quarter, the Commission spent \$482 in this account, which represents approximately 48% of the total amount budgeted. The entire amount is attributed to purchasing three new multi-line telephones for the LAFCO office. Staff will continue to monitor this account to help ensure a year-end deficit does not occur.

¹ The monthly rental fee at 1700 Second Street is fixed at \$2,440 through June 2011.

Training

This account is used for a variety of instructional activities for Commissioners and staff. The Commission budgeted \$4,000 for training expenses in 2010-2011. At the end of the first quarter, expenses in this account totaled \$2,589, which represents approximately 65% of the total amount budgeted. All expenses in this account are attributed to registration costs for the 2010 CALAFCO Annual Conference in Palm Springs. Staff will continue to monitor this account to help ensure a year-end deficit does not occur.

Capital Replacement

The Commission has budgeted \$3,391 for capital depreciation in 2010-2011. This budgeted amount reflects the Commission's five-year funding replacement program for the agency's electronic document management system. The budgeted expense will be booked at the end of the fiscal year.

B. Analysis

Staff calculates the Commission is on course to finish 2010-2011 with an operating surplus of approximately \$9,800. Nearly the entire projected operating surplus is attributed to anticipated savings in office expenses and per diem payments. The projected operating surplus is measurably less than the \$42,460 amount remaining at the end of 2009-2010. The anticipated decrease in operating surplus is principally tied to the Commission's decision to eliminate its practice of budgeting an annual reserve and consultant contingency in favor of relying on the fund balance to cover unexpended costs.

C. Recommendation

It is recommended the Commission take the following action:

- 1) Receive and file the "First Quarter Budget Report for 2010-2011."

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

~~1) General Ledger, July 1, 2010 to September 30, 2010~~



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December 6, 2010
Agenda Item No. 5b (Consent: Action)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Approval of Regular Meeting Calendar for First Half of 2011

The Commission will consider approving a regular meeting calendar for the first six months of 2011. It is recommended the Commission approve meeting dates for February 7th, April 4th, and June 6th.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires Local Agency Formation Commissions (LAFCOs) to adopt policies and procedures with respect to conducting meetings. Government Code Section 56375(i) specifies LAFCOs must establish regulations to ensure meetings are conducted on a regular and orderly basis.

A. Discussion

LAFCO of Napa County's ("Commission") *Policy on Regular Commission Meeting Calendar* was last amended on December 1, 2009 and calls for regular meetings to be scheduled for 4:00 P.M. on the first Monday of each month as needed. All regular meetings shall be held in the Board Chambers at the County of Napa Administration Building. The Commission is directed to review and approve a meeting calendar every six months at the June and December meetings.

With regards to the first half of the next calendar year, the first Monday of each month falls on January 3rd, February 7th, March 7th, April 4th, May 2nd, and June 6th.

B. Discussion/Analysis

The Commission's projected workload justifies scheduling meetings every other month for the first half of 2011 given the slowdown in proposal activity. As in the case currently, staff will take advantage of the slowdown in proposal activity by making needed progress on the Commission's adopted municipal service review and sphere of influence update study schedule. Staff also plans on addressing key administrative projects over the first six months of the calendar year, including performing updates to the agency's geographic information system database. Given these inputs, staff believes it would be appropriate for the Commission to schedule regular meetings for February 7th, April 4th, and June 6th.

Juliana Inman, Chair
Councilmember, City of Napa

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Joan Bennett, Alternate Commissioner
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Bill Dodd, Vice Chair
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Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

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Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
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In considering a calendar for the next six months, please note the Chair may schedule special meetings as needed to accommodate applicant requests or address other matters not presently anticipated. The California Association of LAFCOs has also scheduled its Annual Staff Workshop for April 6-8 in Ventura.

C. Recommendation

It is recommended the Commission take the following action:

- 1) Adopt a regular meeting calendar for the first six months of 2011 to include February 7th, April 4th, and June 6th with any desired changes.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

- ~~1) Policy on Regular Commission Meeting Calendar~~



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Agenda Item No. 5c (Consent: Action)
December 6, 2010

November 29, 2010

TO: Local Agency Formation Commission
FROM: Kathy Mabry, Secretary
SUBJECT: Approval of Minutes for October 4, 2010

A. Discussion and Recommendation

Attached are summary minutes prepared for the Commission's October 4, 2010 meeting. Staff recommends approval with any requested amendments.

Respectfully submitted,

Kathy Mabry
Secretary

~~Attachment: as stated~~

Juliana Inman, Chair
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Councilmember, Town of Yountville

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December 6, 2010
Agenda Item No. 5d (Consent: Information)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Expiring Commissioner Terms in 2011

The Commission will receive a report identifying the member terms scheduled to expire in 2011. The report is being presented for information.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 states the composition of Local Agency Formation Commissions (LAFCOs) shall generally include two regular members representing the county, two regular members representing the cities, and one regular member representing the general public. LAFCOs may also have two regular members representing special districts. Each category represented on LAFCO also has one alternate member. Appointments for the county and city regular and alternate members are made by board of supervisors and city selection committees, respectively. Appointments for the regular and alternate public members are made by the county and city members on LAFCO. All terms on LAFCO are four years.

A. Information

LAFCO of Napa County (“Commission”) has one member with a term scheduled to expire during the 2011 calendar year, Juliana Inman. Commissioner Inman currently holds the regular “south valley city seat,” which by Napa County City Selection Committee policy is assigned to either the Cities of American Canyon or Napa. Staff will notify and request the City Selection Committee make a new four-year appointment/reappointment involving the regular south valley seat at the beginning of the new calendar year. A full listing of the expiring terms for all members follows.

Member	Appointing Authority	Term Expires
Juliana Inman, Chair	City Selection Committee	May 2, 2011
Bill Dodd, Vice Chair	Board of Supervisors	May 5, 2014
Lewis Chilton	City Selection Committee	May 4, 2013
Brian J. Kelly	Commission	May 5, 2014
Brad Wagenknecht	Board of Supervisors	May 7, 2012
Joan Bennett, Alternate	City Selection Committee	May 7, 2012
Mark Luce, Alternate	Board of Supervisors	May 4, 2013
Gregory Rodeno, Alternate	Commission	May 7, 2012

Juliana Inman, Chair
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Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

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Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Keene Simonds
Executive Officer

B. Commission Review

The Commission is invited to review and discuss the staff report as needed.

Attachments: none



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December 6, 2010

Agenda Item No. 5e (Consent: Information)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Designation of Chair and Vice Chair for 2011

The Commission will receive a report regarding the designation of the Chair and Vice Chair for the 2011 calendar year. The report is being presented for information.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 specifies each Local Agency Formation Commission (LAFCO) shall comprise no less than five regular members made by appointment. This includes two members appointed by the board of supervisors, two members appointed by the city selection committee, and one member appointed by the other four regular members.

A. Information

LAFCO of Napa County's ("Commission") *Appointment of Chair and Vice Chair* policy establishes an annual rotation system with respect to the designation of the Chair and Vice Chair among its regular members. This policy was adopted in August 2004 and assigns seat designations for all five regular positions on the Commission. The underlying purpose of the policy is to provide an automatic and predetermined rotation of the Chair and Vice Chair at the beginning of each calendar year to ensure each regular member position will have an opportunity to serve as the presiding officer.

The Commission's adopted policy designates Commissioners Dodd and Chilton as Chair and Vice Chair, respectively, in 2011. The complete rotation schedule follows.

Chair Schedule

1. County Member I (Dodd)
2. City Member II (Chilton)
3. County Member II (Wagenknecht)
4. Public Member (Kelly)
5. City Member I (Inman)

Vice Chair Schedule

1. City Member II (Chilton)
2. County Member II (Wagenknecht)
3. Public Member (Kelly)
4. City Member I (Inman)
5. County Member I (Dodd)

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Gregory Rodeno, Alternate Commissioner
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Keene Simonds
Executive Officer

B. Commission Review

The Commission is invited to review and discuss the staff report as needed.

Attachment:

- ~~1) Commission Policy: *Appointment of Chair and Vice Chair*~~



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December 6, 2010

Agenda Item No. 5f (Consent: Information)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Current and Future Proposals

The Commission will receive a report summarizing current and future proposals. The report is being presented for information. No new proposals have been submitted since the October 4, 2010 meeting.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 delegates Local Agency Formation Commissions (LAFCOs) with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. This includes approving or disapproving proposals involving the formation, expansion, merger, and dissolution of cities and special districts.

A. Information

There are currently three active proposals on file with LAFCO of Napa County ("Commission"). A summary of these active proposals follows.

Clarke Ranch West and American Canyon Middle School Annexation to the City of American Canyon

The City of American Canyon proposes the annexation of two unincorporated and non-contiguous areas totaling approximately 52.5 acres. The two areas include all or portions of three assessor parcels lying within American Canyon's urban limit line. Consistent with policies and practices, the Commission's review of the proposal will also include concurrent annexation of the affected territory to the American Canyon Fire Protection District (ACFPD) and detachment from County Service Area (CSA) No. 4. Each area is assigned a short-term designation and summarized below.

- **American Canyon Middle School**

This property is 22.1 acres in size and includes one entire assessor parcel and a portion of a second assessor parcel owned by the Napa Valley Unified School District. The property is scheduled to be developed into a 530-student middle school with construction commencing earlier this year.

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- **Clarke Ranch West**

This property is 30.4 acres in size and includes a portion of an assessor parcel owned by American Canyon immediately southwest of the Eucalyptus Grove property. The property is undeveloped; however, a portion is used by the American Canyon 4-H Club and includes equipment and animals for educational purposes. The property lies outside American Canyon's sphere of influence, but is eligible for annexation under Government Code Section 56742. This section allows cities to annex non-contiguous lands lying outside their spheres if certain preconditions exist. This includes land that is less than 300 acres in total size and owned and used by the city at the time of proposal initiation for municipal purposes. The Commission has previously utilized this section for similar type of annexations involving Alston and Trancas Crossing Parks to the City of Napa.

Status: Staff issued a request for review on March 25, 2010 to local governmental agencies. No comments have been received to date. Staff has also issued a status letter to American Canyon requesting additional information and fees necessary to process the proposal. This includes a map and geographic description of the affected territory. American Canyon has requested staff delay processing the proposal to allow the City to establish a conservation easement on the Clarke Ranch property.

Silverado Trail/Zinfandel Lane Annexation to the City of St. Helena

The City of St. Helena proposes the annexation of approximately 100 acres of unincorporated territory located northwest of the intersection of Silverado Trail and Zinfandel Lane. The affected territory consists of one entire parcel and a portion of a second parcel, which are both owned and used by St. Helena to discharge treated wastewater from an adjacent treatment plant through a spray irrigation system. Both subject parcels are located outside the City's sphere of influence. Rather than request concurrent amendment, St. Helena is proposing only the annexation of a portion of the second parcel to ensure the affected territory is non-contiguous to its incorporated boundary and therefore eligible for annexation under Government Code Section 56742. This statute permits a city to annex non-contiguous land it owns and uses for municipal purposes without consistency with its sphere of influence. However, if sold, the statute requires the land be automatically detached. The two subject parcels are identified by the County Assessor as 030-240-017 (portion) and 030-250-018.

Status: Staff has completed its review of the proposal. St. Helena has filed a request with the Commission to delay consideration of the proposal in order to explore a separate agreement with the County to extend the current Williamson Act contract associated with the affected territory.

Formation of the Villa Berryessa Water District

This application has been submitted by Miller-Sorg Group, Inc. The applicant proposes the formation of a new special district under the California Water District Act. The purpose in forming the new special district is to provide public water and sewer services to a planned 100-lot subdivision located along the western shoreline of Lake Berryessa. A tentative subdivision map for the underlying project has already been approved by the County. The County has conditioned recording the final map on the applicants receiving written approval from the United States Bureau of Reclamation to construct an access road and intake across federal lands to receive water supplies from Lake Berryessa. Based on their own review of the project, the Bureau is requesting a governmental agency accept responsibility for the construction and perpetual operation of the water and sewer systems serving the subdivision.

Status: Staff is currently awaiting a response to an earlier request for additional information from the applicant.

Staff is aware of one specific proposal expected to be submitted to the Commission in the future. A summary of the future proposal follows.

St. Regis Resort Project

The City of Napa has approved a planning process to develop approximately 93 acres of land comprising four parcels located along Stanly Lane in the Stanly Ranch area. The approved project is intended to accommodate a 245-room luxury resort with a commercial vineyard. Commission approval will be needed to annex the affected territory to Napa Sanitation District for the purpose of extending public sewer service. Staff recently met with the project proponent and was informed the landowners may file an expanded proposal to annex the entire Stanly Ranch area for purposes of economizing resources.

Status: The St. Regis Group has delayed filing a proposal with the Commission to annex the affected territory to the Napa Sanitation District until a legal challenge to the environmental impact report is further resolved.

B. Commission Review

The Commission is invited to review and discuss any of the current or future proposals identified in this report.

Attachments: none



Local Agency Formation Commission
LAFCO of Napa County

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December 6, 2010
Agenda Item No. 5g (Information)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Brendon Freeman, Analyst

SUBJECT: Report on Website Visits

The Commission will receive a report summarizing visitor traffic to the agency's new website since August 2010. The report is being presented for informational purposes only.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires Local Agency Formation Commissions (LAFCOs) to establish and maintain websites. Government Code Section 56300 specifies LAFCO websites must provide notices of meetings and hearings as well as other pertinent information for public review.

A. Information

In July 2009, LAFCO of Napa County ("Commission") launched a new website. The website was designed and implemented by Planeteria, headquartered in Santa Rosa. The website replaced the Commission's previous version, which had been developed and maintained by staff using Adobe GoLive. The purpose in budgeting for the new website was threefold: (a) improve visual setting; (b) enhance content management; and (c) increase interactivity through user-friendly navigation.

Staff has been tracking visitor usage on the new website with Google Analytics since January 2010. This application is a free service that generates detailed statistics showing trends in website usage. Staff presented an information item at the Commission's August meeting detailing website usage through August 1st. A review of usage of the Commission's website since August 1st reveals the following:

- A total of 265 different users have visited the website as measured by internet protocol addresses.
- Users accessing the website have produced a total of 438 visits.
- The two most frequently visited website pages are Staff Reports and Meetings. (40% of all visitors viewed Staff Reports; 33% of all visitors viewed Meetings)

Juliana Inman, Chair
Councilmember, City of Napa

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Vice Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

- Nearly one-half of all visits to the website have been the result of a Google search. The majority of remaining visits are tied to direct website access and redirection from CALAFCO.
- August experienced the highest total monthly visits at 149. November experienced the lowest number of monthly visits at 73.

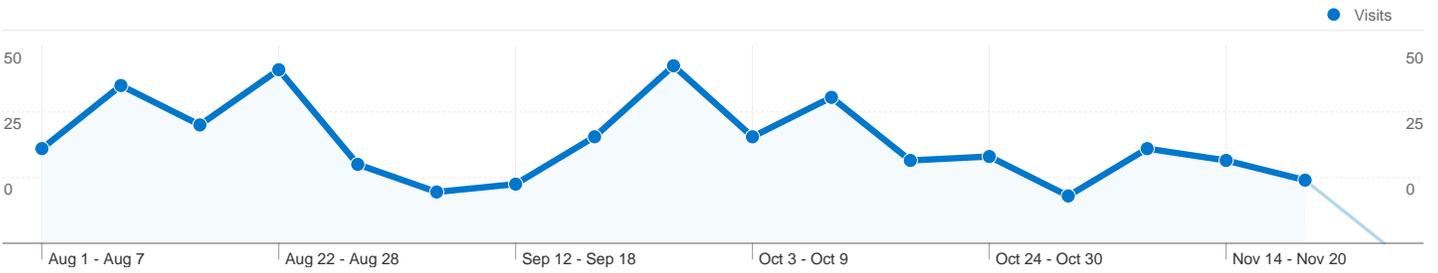
Staff will continue to track usage on the website and provide periodic updates to the Commission.

B. Commission Review

The Commission is invited to review and discuss the report and direct staff to follow up with any additional information as needed.

Attachments:

- 1) Google Analytics Report for Website, August 2010 to November 2010



Site Usage

438 Visits

25.57% Bounce Rate

1,771 Pageviews

00:03:06 Avg. Time on Site

4.04 Pages/Visit

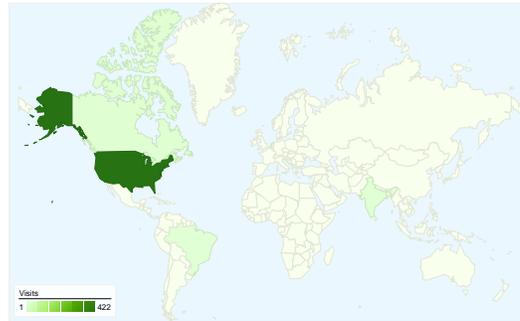
48.86% % New Visits

Visitors Overview

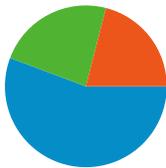


Visitors
265

Map Overlay



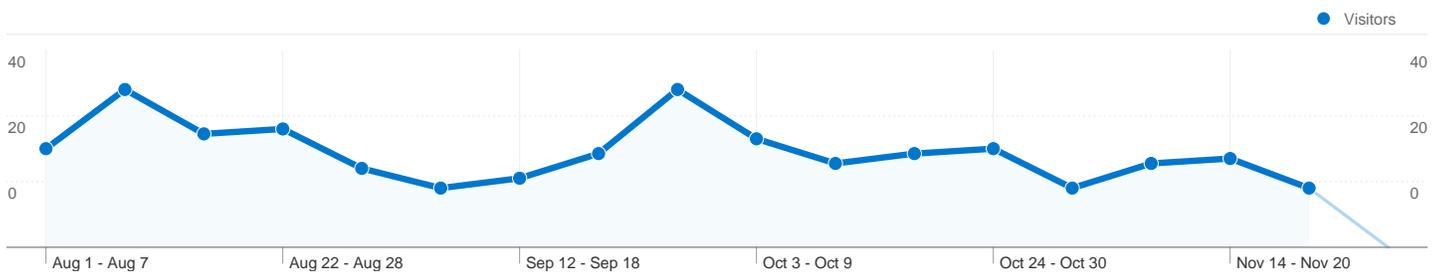
Traffic Sources Overview



- **Search Engines**
244.00 (55.71%)
- **Referring Sites**
102.00 (23.29%)
- **Direct Traffic**
92.00 (21.00%)

Content Overview

Pages	Pageviews	% Pageviews
/	396	22.36%
/staff_reports.aspx	160	9.03%
/cm_meeting_schedule.aspx	131	7.40%
/s_municipal_reviews.aspx	129	7.28%
/c_commissioners.aspx	95	5.36%



265 people visited this site

438 Visits

265 Absolute Unique Visitors

1,771 Pageviews

4.04 Average Pageviews

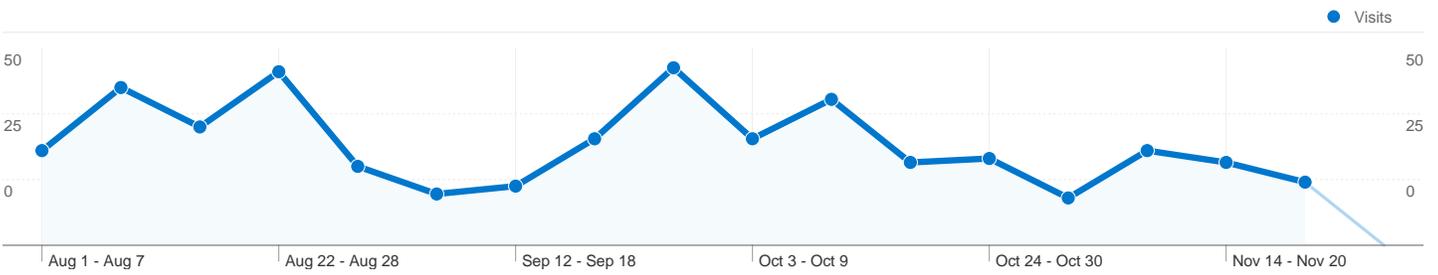
00:03:06 Time on Site

25.57% Bounce Rate

48.86% New Visits

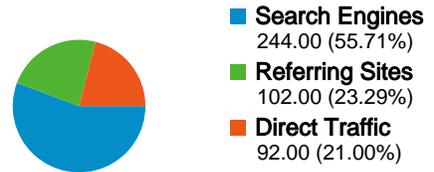
Technical Profile

Browser	Visits	% visits	Connection Speed	Visits	% visits
Internet Explorer	345	78.77%	ISDN	123	28.08%
Firefox	67	15.30%	Unknown	90	20.55%
Safari	15	3.42%	Cable	86	19.63%
Chrome	9	2.05%	DSL	79	18.04%
Opera	1	0.23%	T1	49	11.19%



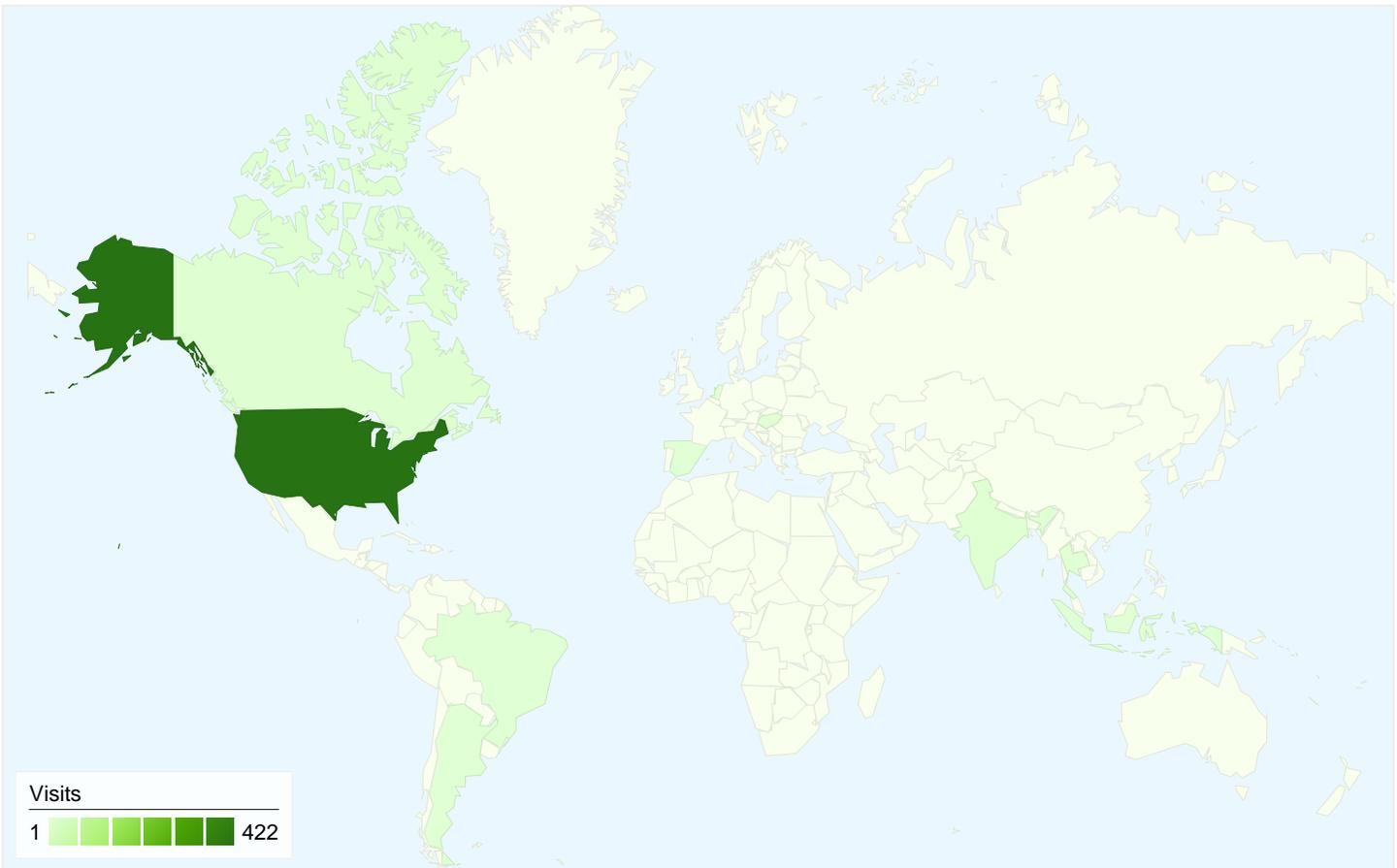
All traffic sources sent a total of 438 visits

-  **21.00%** Direct Traffic
-  **23.29%** Referring Sites
-  **55.71%** Search Engines



Top Traffic Sources

Sources	Visits	% visits	Keywords	Visits	% visits
google (organic)	210	47.95%	napa lafco	73	29.92%
(direct) ((none))	92	21.00%	napa county lafco	42	17.21%
calafco.org (referral)	51	11.64%	lafco napa	21	8.61%
countyofnapa.org (referral)	29	6.62%	lafco of napa county	12	4.92%
yahoo (organic)	22	5.02%	chilton napa	5	2.05%

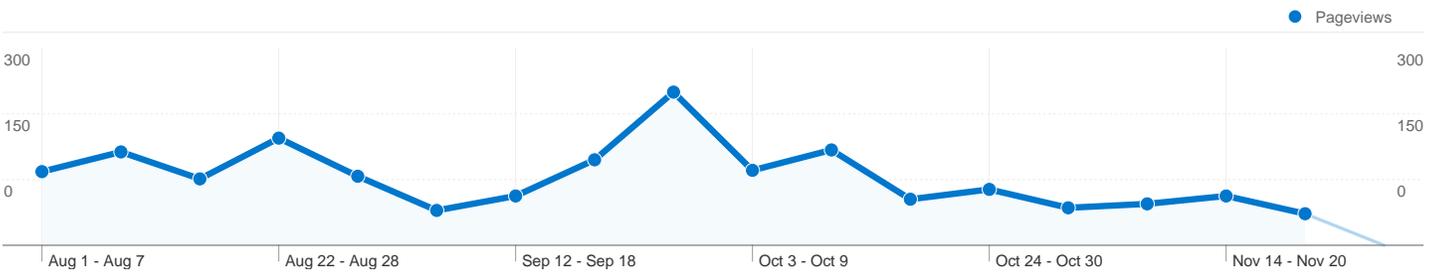


438 visits came from 11 countries/territories

Site Usage

Country/Territory	Visits	Pages/Visit	Avg. Time on Site	% New Visits	Bounce Rate
United States	422	4.13	00:03:11	48.10%	24.17%
Canada	4	1.50	00:00:26	100.00%	75.00%
India	3	1.00	00:00:00	100.00%	100.00%
Brazil	2	1.50	00:00:00	0.00%	50.00%
Spain	1	1.00	00:00:00	0.00%	100.00%
Hungary	1	2.00	00:00:00	0.00%	0.00%
Netherlands	1	3.00	00:00:00	0.00%	0.00%
(not set)	1	1.00	00:00:00	100.00%	100.00%
Thailand	1	6.00	00:11:08	100.00%	0.00%

Indonesia	1	1.00	00:00:00	100.00%	100.00%
					1 - 10 of 11



Pages on this site were viewed a total of 1,771 times

1,771 Pageviews

1,372 Unique Views

25.57% Bounce Rate

Top Content

Pages	Pageviews	% Pageviews
/	396	22.36%
/staff_reports.aspx	160	9.03%
/cm_meeting_schedule.aspx	131	7.40%
/s_municipal_reviews.aspx	129	7.28%
/c_commissioners.aspx	95	5.36%



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December 6, 2010
Agenda Item No. 6a (Public Hearing)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Concurrent Municipal Service Review and Sphere of Influence Update on County Service Area No. 4

The Commission will receive a final report from staff representing the agency's scheduled municipal service review and sphere of influence update for County Service Area No. 4. The report is being presented to the Commission to receive and file. The Commission will also consider adopting resolutions confirming the determinative statements in the final report, including updating the sphere of influence with no changes.

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 ("sphere") every five years as needed. Spheres are planning policies used by LAFCOs to demark the territory representing 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

Staff has prepared a final report representing LAFCO of Napa County's ("Commission") scheduled municipal service review and sphere of influence update on County Service Area (CSA) No. 4; a dependent district authorized to provide a specific range of municipal services relating to public farmworker housing in Napa County. The final report is attached and follows the preparation of an earlier draft circulated for public comment on September 27, 2010 and presented to the Commission for discussion on October 4, 2010. No written comments on the draft report were received.

Juliana Inman, Chair
Councilmember, City of Napa

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Vice-Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

The final report incorporates two substantive and related amendments to the draft presented for discussion at the Commission's October 4th meeting. These amendments address specific comments made by Commissioners and are summarized below.

- The Executive Summary's written determinations on finances has been amended to no longer include a statement identifying CSA No. 4's current annual special assessment on vineyards would need to be increased from \$10.00 to \$22.41 to fully fund current public farmworker housing services in Napa County. Staff's original intent in including this statement in the draft was to draw attention to the existing discrepancy between special assessment revenues and actual operating costs. Several Commissioners, however, commented in October the statement - paired with other determinations - implies LAFCO is advocating CSA No. 4 raise the special assessment to provide full cost-recovery for public farmworker housing services. Staff agrees with the Commissioners' concerns and the statement has been removed as a written determination; a related comment remains in the agency profile section of the report.
- The Executive Summary's written determinations on finances has been amended to reframe a statement recommending CSA No. 4 engage its stakeholders to seek support in increasing its special assessment through new legislation to provide a more reliable and sufficient revenue source to sustain public farmworker housing. Staff included this statement in the draft given the current assessment is already levied at its maximum statutory limit of \$10.00. This means the funding gap between assessment revenues and operating costs will likely continue to widen into the future given inflationary price increases. Staff has amended the statement at the Commission's suggestion to specifically cite inflation as a key factor in justifying why CSA No. 4 should work with stakeholders to seek an increase to the assessment limit. The statement has also been amended to help avoid any implicit references that the Commission is advocating the assessment provide full cost-recovery for public farmworker housing services. The amended statement is identified in the Executive Summary as 3d.

B. Summary/Conclusion

As discussed in the preceding section, the final report is relatively unchanged from the earlier draft presented at the October meeting. The final report concludes CSA No. 4 has established sufficient administrative and financial capacities to provide an appropriate level of public farmworker housing based on current and projected demands as well as local conditions. The sufficiency of these capacities is attributed to the effective management of CSA No. 4 by the County of Napa's Community Intergovernmental Affairs Division. The sufficiency of these capacities is also prefaced on CSA No. 4's present and relatively limited role as a governmental sponsor of a special assessment on vineyards with proceeds supporting farmworker housing services provided by the Napa County Housing Authority. Other services for which CSA No. 4 was formed to provide, such as acquiring, building, and leasing farmworker housing facilities, have not been undertaken by the agency. Further, to help sustain current and future public farmworker

housing, the final report recommends CSA No. 4 work with stakeholders in generating support to increase the special assessment through new legislation. Notably, increasing the special assessment would help address future cost increases tied to inflation and allow rents at the farmworker housing facilities to remain competitive with private housing alternatives, which are often subject to overcrowded and unsafe conditions.

Based on the information collected and analyzed in the municipal service review, the final report recommends updating CSA No. 4's sphere with no changes.

C. Alternatives for Commission Action

The following two alternatives are available for Commission action.

Alternative One

- a) Open the public hearing for testimony;
- b) Close the public hearing;
- c) Approve by motion to receive and file the final report representing the scheduled service review and sphere of influence update on CSA No. 4;
- d) Adopt by motion the attached draft resolution making service review determinations on CSA No. 4 consistent with Government Code 56430; and
- e) Adopt by motion the attached draft resolution updating CSA No. 4's sphere of influence with no changes and making related determinations consistent with Government Code Section 56425.

Alternative Two

- a) Open the public hearing for testimony; and
- b) Approve by motion to continue the public hearing to a later date and provide direction to staff as needed regarding any additional information requests.

D. Recommendation

Staff recommends the Commission take the prescribed actions identified under Alternative A in the preceding section.

Respectfully submitted,

Keene Simonds
Executive Officer

Brendon Freeman
Analyst

Attachments:

- ~~1) CSA No. 4: Municipal Service Review and Sphere of Influence Update Final Study~~
- ~~2) Draft Resolution Making Service Review Determinations on CSA No. 4~~
- ~~3) Draft Resolution Updating CSA No. 4's Sphere of Influence~~



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December 6, 2010
Agenda Item No. 6b (Public Hearing)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Concurrent Municipal Service Review and Sphere of Influence Establishment for Napa County Regional Park and Open Space District
The Commission will receive a final report representing its scheduled municipal service review and sphere of influence establishment for the Napa County Regional Park and Open Space District. The final report includes a limited number of revisions from its draft presentation in October and is being presented to the Commission to receive and file. The Commission will also consider adopting resolutions confirming the determinative statements in the final report, including establishing a sphere of influence coterminous with the District's jurisdictional boundary.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 directs Local Agency Formation Commissions (LAFCOs) to establish and update each local agency's sphere of influence every five years as needed. Spheres of influence are planning policies used by LAFCOs demarking the territory it believes represents the affected agency's appropriate future service area and jurisdictional boundary. Boundary changes, such as annexations, detachments, and agency formations, must be consistent with the affected agencies' spheres of influence with limited exceptions. As a prerequisite to establishing spheres of influence, LAFCOs must prepare municipal service reviews to determine the adequacy and range of governmental services provided within their respective jurisdictions. The intent of the municipal service review is to evaluate the adequacy, efficiency, and effectiveness of services in relationship to local needs and circumstances.

A. Discussion

Staff has prepared a final report representing LAFCO of Napa County's ("Commission") scheduled municipal service review and sphere of influence establishment on the Napa County Regional Park and Open Space District (NCRPOSD); an independent district authorized to provide a broad range of park and recreational services in Napa County. The final report is attached and follows the preparation of an earlier draft circulated for public comment on September 28, 2010 and presented to the Commission for discussion on October 4, 2010. No written comment letters were received on the draft.

Juliana Inman, Chair
Councilmember, City of Napa

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Vice-Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

The final report includes a limited number of revisions from the earlier draft presented for discussion at the October meeting. These revisions apply only to the municipal service review portion of the final report and, among other items, address specific comments received from the Commission. The revisions are summarized below.

- The Executive Summary’s written determinations on public accountability have been amended to include a new statement. The new statement is identified in the Executive Summary as 5(b) and is as follows:

“A recent public workshop by NCRPOSD to solicit community input on updating the District’s Master Plan demonstrates a concerted effort to remain accountable. This and other outreach efforts help to ensure alignment between NCRPOSD’s current and future activities with the needs and preferences of constituents.”

- The agency profile section has been revised to address the anticipated expansion of NCRPOSD’s municipal services to include the management of Skyline Park. This revision responds to Commissioner comments at the October meeting and is addressed on page 20 of the final report.
- The agency profile section has been revised to include an expanded discussion on NCRPOSD’s (a) revenue and expense trends and (b) current budget. These revisions respond to Commissioner comments at the October meeting and are addressed on pages 23 to 25 of the final report. This includes detailing the portion of NCRPOSD’s operating revenues tied to discretionary grants from the County.

B. Summary/Conclusion

As discussed in the preceding section, the final report is relatively unchanged from the earlier draft presented at the October meeting. The report continues to assert NCRPOSD provides an appropriate level of public park and open space services for which it was formed in 2006. Importantly, the report references NCRPOSD’s unique organizational structure in which it is an independent agency that is nearly entirely dependent on discretionary funds from the County for operating funds. Despite this funding dependency, the report notes NCRPOSD is in relatively good financial shape with minimal debt and an unrestricted fund balance sufficient to cover over four months of operating costs. The report also emphasizes NCRPOSD’s integral role in growth management given the general plans of all six land use authorities include minimum parkland per capita ratios.

Based on information collected and analyzed in the municipal service review, the final report recommends establishing NCRPOSD’s sphere of influence to be coterminous with its jurisdictional boundary.

C. Alternatives for Commission Action

The following two alternatives are available for Commission action.

Alternative One

- a) Open the public hearing for testimony;
- b) Close the public hearing;
- c) Approve by motion to receive and file the final report representing the concurrent municipal service review and sphere of influence establishment for NCRPOSD;
- d) Adopt by motion the attached draft resolution making municipal service review determinations consistent with Government Code Section 56430; and
- e) Adopt by motion the attached draft resolution establishing NCRPOSD's sphere of influence and making related determinations consistent with Government Code Section 56425.

Alternative Two

- a) Open the public hearing for testimony; and
- b) Approve by motion to continue the public hearing to a later date and provide direction to staff as needed with respect to any additional information requests.

D. Recommendation

Staff recommends the Commission take the prescribed actions identified under Alternative A in the preceding section.

Respectfully submitted,

Keene Simonds
Executive Officer

Brendon Freeman
LAFCO Analyst

Attachments:

- ~~1) NCRPOSD: Municipal Service Review and Sphere of Influence Establishment Final Report~~
- ~~2) Draft Resolution Making Municipal Service Review Determinations on NCRPOSD~~
- ~~3) Draft Resolution Establishing NCRPOSD's Sphere of Influence~~



Local Agency Formation Commission

LAFCO of Napa County

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December 6, 2010
Agenda Item No. 7a (Action)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Proposed Reorganization to Annex the Town Center Site to the City American Canyon and American Canyon Fire Protection District

The Commission will consider a joint proposal from the City of American Canyon and the American Canyon Fire Protection District to annex unincorporated territory designated under the City General Plan as Town Center. The affected territory represents one contiguous area totaling 315.3 acres. Staff recommends approval of the proposal with a modification to concurrently detach a significant portion of the affected territory from County Service Area No. 4. Standard approval conditions are also recommended with options to include special terms.

Local Agency Formation Commissions (LAFCOs) are responsible under California Government Code (G.C.) 56375 to approve, with or without modifications, city and special district boundary changes consistent with adopted written policies and procedures. The Commission is also authorized to establish conditions in approving boundary changes as long as they do not directly regulate land uses. Underlying the Commission's determination in reviewing boundary changes is to consider the logical and timely development of the affected agencies in context with local circumstances and needs.

A. Summary

Proposal Description

LAFCO of Napa County ("Commission") has received a joint proposal from the City American Canyon and the American Canyon Fire Protection District (ACFPD) to annex certain unincorporated territory designated under the City General Plan as "Town Center." The affected territory totals 315.3 contiguous acres and includes six entire parcels along with portions of three additional parcels. Nearly half (160 acres) of the affected territory already lies within ACFPD; the remaining half is being proposed for annexation as part of this proposal. The affected territory is uninhabited and all subject landowners have provided their written consent to the annexation.

Juliana Inman, Chair
Councilmember, City of Napa

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Vice Chair
County of Napa Supervisor, 4th District

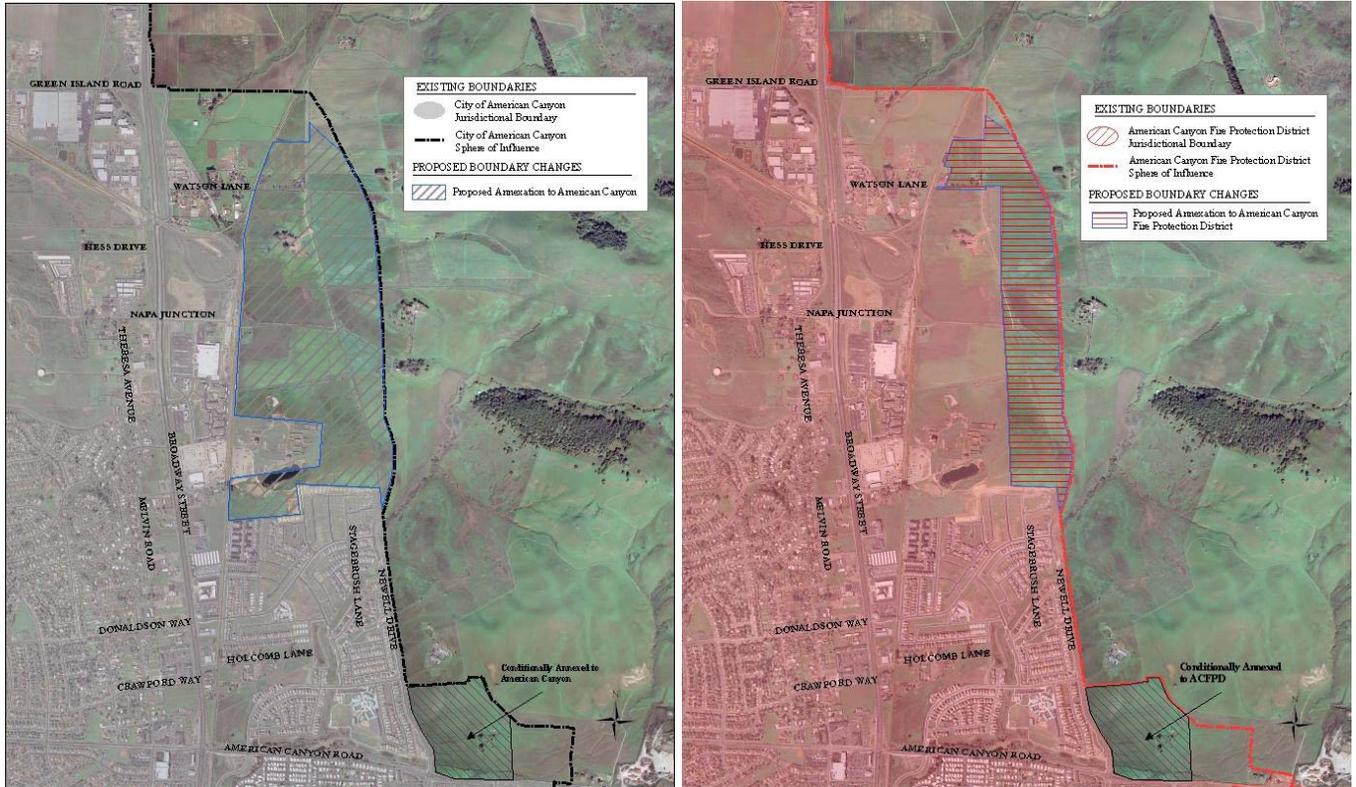
Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer



Proposal Purpose

The underlying purpose of the proposal is to facilitate the future division and development of the affected territory under land use authority of American Canyon. No specific development projects exist at this time. However, in conjunction with filing the proposal, American Canyon has formally entered into a preannexation/development agreement with the principal landowner, Jamcan, LLC. This agreement specifies, among other issues, the affected territory shall be primarily developed for single-family and multi-family residential use with a not-to-exceed limit of 1,600 units.

Proposal Review

Staff recommends approval of the proposal with a discretionary modification to expand the scope of the action to include concurrently detaching nearly all of the affected territory from County Service Area (CSA) No. 4. The recommended action would be consistent with the Commission's policies and practices in supporting the orderly growth and development of southeast region relative to local circumstances. Special approval terms are also identified for Commission consideration. A summary of key issues addressed in the review of the proposal follow.

- Concurrently annexing the affected territory to both American Canyon and ACFPD would coordinate the extension of public safety services consistent with the planned urban development of the affected territory. This type of reorganization is explicitly contemplated under Policy Determination V/D/2.

- It is appropriate to assume for purposes of assessing service impacts the affected territory will develop consistent with the preannexation/development agreement between American Canyon and the principal landowner, Jamcan, LLC. This would involve the majority of the affected territory – specifically 290 acres – developing into 1,600 residential units. It is also assumed the remainder would develop for a mix of urban uses ranging from retail to office space and produce a one-to-one service demand equivalent to residential uses.
- Concurrently detaching nearly all of the affected territory from CSA No. 4 is appropriate given the discontinuity between these lands' current and planned uses paired with the role of the District in providing public farmworker housing services. Retaining the 2.1 acres belonging to Gary and Teri Clarke within CSA No. 4 is appropriate given the lands currently include a commercial vineyard.
- Expanding the annexation boundary for American Canyon to include an adjacent 75.3 acre unincorporated area to the west along Watson Lane lying in the City's sphere of influence is not appropriate at this time. Annexation of this area appears premature given landowner opposition tied to uncertainties regarding the impact on maintaining legal non-conforming residential uses.
- Applying a special term to require American Canyon exercise its right to purchase additional annual water supply entitlements from Vallejo to address projected shortfalls has equal merits in terms of including or excluding from proposal approval. Staff believes either option (inclusion or exclusion) would be appropriate depending on Commissioner preferences.
- Applying a special term to require American Canyon complete lot-line adjustments to ensure the annexation boundary does not split legal or assessor lines is not recommended. This special term would be difficult for American Canyon to fulfill within LAFCO's prescribed one year deadline and appears premature given the uncertainties regarding the exact boundaries of the future Newell Road extension; a key component of the proposal.

B. Discussion

Agency Profiles

American Canyon provides a range of municipal services directly or through contracts with outside entities within its approximate 4.9 square mile jurisdictional boundary. This includes water, sewer, and law enforcement services. American Canyon's current resident population is estimated at 16,836. The adopted operating budget is \$15.3 million and intended to cover all discretionary expenditures in 2010-11. American Canyon's unreserved/undesignated fund balance totaled \$3.0 million as of July 1, 2010.

ACFPD directly provides fire protection, rescue, and emergency medical services within an approximate 6.0 square mile jurisdictional boundary. The jurisdictional boundary includes all of American Canyon and surrounding unincorporated lands extending as far north as Fagan Creek. The estimated resident service population is approximately

16,877. The adopted operating budget is \$4.2 million and intended to cover all discretionary expenditures in 2010-11. ACFPD's unreserved/undesignated fund balance totaled \$1.2 million as of July 1, 2010.

Potential Proposal Modifications

In reviewing the application materials, staff has identified two potential modifications to the proposal warranting discussion and consideration by the Commission given its policies and practices. The first potential modification identified involves concurrently detaching the majority of the affected territory from CSA No. 4. Staff recommends approving this modification. The second potential modification identified involves expanding the annexation boundary for American Canyon to include an additional 75.2 acres of contiguous unincorporated territory in the Watson Lane area to avoid creating a substantially surrounded island. Staff recommends against approving this modification. An expanded discussion on both potential modifications is provided below.

Modification One: Concurrent Detachment of the Majority of the Affected Territory from County Service Area No. 4 (Recommended)

CSA No. 4 was formed in 2002 and includes all unincorporated territory along with certain incorporated territory located in the Cities of Calistoga, Napa, St. Helena, and Yountville. The intent and function of CSA No. 4 is to sponsor a voter-approved special assessment on all assessor parcels in its jurisdiction containing one acre or more of vineyards for the purpose of funding farmworker housing services. CSA law has historically included a provision requiring land be automatically detached from a CSA upon its annexation to a city unless waived by LAFCO based on specific findings. This automatic detachment provision was deleted effective January 1, 2009 as part of a comprehensive rewrite of CSA law. The legislative intent in deleting the provision is to broaden LAFCO's discretion in determining whether it believes land should be detached from a CSA upon annexation to a city.

With regards to this proposal, all nine parcels constituting the affected territory are in CSA No. 4, but only three parcels lie in the District's special assessment zone. These three parcels are identified by the County Assessor as 059-020-032 (Gary Clarke), 059-020-009 (Jamcan, LLC), and 059-020-030 (Jamcan, LLC). Only the first listed assessor parcel, however, currently has a bearing vineyard. The latter two assessor parcels' vineyards are either located on land lying outside the proposed annexation boundary or have been recently removed. Based on these circumstances, it would be appropriate for the Commission to modify the proposal to concurrently detach the entire affected territory with the exception of 059-020-032 from CSA No. 4. No objections have been raised concerning this modification.

Modification Two: Expanding the Annexation Boundary for American Canyon to Include an Additional 75.2 Unincorporated Acres in the Watson Lane Area to Avoid Creating a Substantially Surrounded Island (Not Recommended)

The annexation of the affected territory as proposed would create an approximate 75.2 acre unincorporated island in the Watson Lane area substantially surrounded by American Canyon.¹ Creating substantially surrounded unincorporated islands is not explicitly prohibited, but inconsistent with the Commission's legislative mandate to facilitate the sensible development of local agencies given the inherent service and governance inefficiencies they often perpetuate. Most notably, islands undermine public safety services by designating first-responders to incident sites based on jurisdiction and not proximity to available resources.

Previous outreach efforts to date suggest a substantial number of landowners in the Watson Lane area oppose annexation to American Canyon. This opposition is primarily attributed to concerns regarding property owner rights due to the prevalence of legal non-conforming residential uses in the area that conflicts with Napa County Airport Land Use Commission's policies and requirements. Expansion would trigger a protest hearing and likely result in the outright termination of annexation proceedings. With this in mind, LAFCO and American Canyon staffs agree extended and coordinated outreach efforts are needed to address the underlying concerns before proposing annexation to help eliminate or minimize opposition within the area.

C. Analysis

G.C. Section 56375 delegates LAFCOs the responsibility to approve or disapprove with or without amendment proposals for changes of organization consistent with its adopted written policies, procedures, and guidelines. LAFCOs are also authorized to establish conditions in approving proposals as long as they do not directly regulate land uses. Underlying LAFCOs' determination in approving or disapproving proposed changes of organization is to consider the logical and timely development of the affected agencies in context with statutory objectives and local circumstances.

Required Factors for Review

G.C. Section 56668 requires the Commission to consider certain factors anytime it reviews proposed changes of organization. No single factor is determinative. The purpose in considering these factors is to help inform the Commission in its decision-making process. An evaluation of these factors as it relates to the proposal follows.

- 1) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent areas, during the next 10 years.**

¹ It is the Commission's policy to define "substantially surrounded" as it relates to an unincorporated island that is (a) within the city's sphere of influence and (b) contiguous to the city by no less than 66.7%. If approved, the proposal would create an unincorporated island within the Watson Lane area that is 76% surrounded by American Canyon.

The affected territory is 315.3 acres in size and predominantly undeveloped. Exceptions include two single-family residences located at 320 and 360 Watson Lane with a total population of four with one registered voter.² There is also a portion of a commercial vineyard located at 1250 Watson Lane. A constructed pond approximately one acre-foot in size also lies in the far south portion of the affected territory commonly referred to as the “horseshoe.” This pond was formerly utilized as part of a nearby rock quarry operation until its closure in the late 1970s. Total assessed value is \$3,508,532.³

Topography within the affected territory is relatively flat with the exception of a significant knoll at the southeast corner with an approximate 15% slope according to the application materials. There are no rivers, streams, or creeks. Drainage flows in a southwest direction and overlays two American Canyon-defined watershed boundaries: Rio Del Mar and North Slough.

It is reasonable to assume the proposal, if approved, would result in significant urban growth within the affected territory in the next 10 years. Urban development is contemplated under both American Canyon’s General Plan and Zoning Ordinance and recently memorialized as part of a preannexation agreement between the City and principal landowner (Jamcan, LLC). Significantly, the preannexation agreement anticipates the affected territory will predominantly be developed for residential uses and include up to 1,600 units, which would produce an estimated population of 4,776.⁴ Other urban uses, such as retail, commercial, professional offices, and visitor serving facilities, are also contemplated, although no specific densities are known at this time.

No new significant urban growth is expected in adjacent lands regardless of proposal approval. Unincorporated lands to the north and east are both outside American Canyon’s sphere of influence and subject to the restrictive County land use policies. Unincorporated lands to the northwest lie within American Canyon’s sphere of influence, but are designated and rezoned by the City for low-density uses. Incorporated lands to the southwest and south are built-out.

2) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.

² The lone registered voter resides at 360 Watson Lane. There are additional residents and registered voters associated with parcels tied to the proposed annexation. Only portions of these parcels, however, are proposed for annexation. The single-family residences on these parcels lie outside the proposed annexation boundary and therefore their registered voters do not apply to the overall tally.

³ This amount reflects a revised calculation by the applicant and applies only to the portions of the nine parcels proposed for annexation.

⁴ Population estimate based on applying a factor of 2.985 persons per household consistent with recent demographic projections as issued by the California Department of Finance for American Canyon.

The present need for organized public services within the affected territory is limited given the majority of the lands are undeveloped. Further, the organized public services that are currently available are generally considered basic. This includes a basic level of law enforcement directly provided by the County vector control, soil conservation, and flood control services indirectly provided by several countywide special districts. An elevated level of fire protection from ACFPD is available to approximately one-half of the affected territory as a result of an earlier annexation to the District.⁵ American Canyon, as successor agency to the American Canyon County Water District (ACCWD), also provides potable water service to the two single-family residences located off of Watson Lane.

The future need for organized public services in the affected territory extending beyond the current baseline would *only* be triggered if the proposal is approved given the County's restrictive land use policies for the lands (emphasis added). Specifically, if the proposal is approved, there would be an impending need for elevated organized public services throughout the affected territory to accommodate the planned and expected urban intensification of uses to include, most notably, the aforementioned 1,600 residential units. For purposes of this review, staff assumes all 1,600 residential units would be developed within 90% of the affected territory; a ratio reflecting the remaining 10% is ineligible for residential use due to the restrictions of the Napa County Airport Land Use Commission. It is also assumed the remaining 10% would be developed to include a mix of urban uses ranging from retail to office space and produce a one-to-one service demand equivalent to residential uses. This latter assumption provides a conservative approach in measuring demands in the remaining 10% in the absence of specific land use and density standards.

With the preceding assumptions incorporated, a review of projected demands for the affected territory at the time of its development indicate American Canyon and ACFPD – as the principal public service providers – have sufficient capacities and controls to reasonably accommodate future needs. This statement is predicated on information collected and analyzed in the Commission's recent municipal service review on the southeast county region and supplemented by the application materials. An expanded review of the availability and capacity of American Canyon and ACFPD to provide core governmental services – law enforcement, fire protection, water, and sewer – to the affected territory relative to expected needs follows.

Law Enforcement

American Canyon would assume full law enforcement service responsibilities for the affected territory from the County upon proposal approval with the City's police administrative/operation facility located less than one mile away. American Canyon already serves as a second-responder to the affected territory as part a mutual aid agreement with the County. American Canyon's

⁵ The remaining portion of the affected territory lying outside ACFPD receives a basic level of fire protection from the County with its closest facility located off of Airport Road west of Highway 29 (Greenwood Ranch Station).

police department comprises contracted sworn officers from the County Sheriff and provides regular patrol, traffic enforcement, vehicle abatement, and criminal investigations. A lieutenant or captain with County Sheriff is mutually selected by the Sheriff-Coroner and City Council to serve as Police Chief. The current ratio of sworn officers for every 1,000 residents is 1.4.⁶

The Commission's recent municipal service review on the southeast county region noted American Canyon's average response time for all high-priority law enforcement calls was approximately two minutes from dispatch to arrival. This average response time satisfies American Canyon's five minute performance standard for all high-priority police calls established under the City General Plan. The municipal service review also noted annual reported crimes in American Canyon have slightly declined over the previous five years from 2,352 to 2,013 despite an approximate one-third increase in population. The municipal service review primarily attributed the decline in reported crimes to enhanced community policing practices, such as coordinating neighborhood watch programs.

In terms of assessing proposal impacts, information collected in the municipal service review does not identify any immediate deficiencies with respect to American Canyon's ability to respond to *high-priority calls* within the affected territory (emphasis added). This statement reflects the close proximity of American Canyon's police station and assumes the volume of calls (high-priority and low-priority) would increase incrementally over time as the affected territory is developed. It is reasonable to assume the majority of new demands tied to the affected territory would be generated by residential uses. It is also reasonable to assume additional police resources needed to accommodate new residential uses will be based on maintaining its current standard of 1.4 sworn officers per 1,000 residents. In order to maintain this standard, the residential buildout of the affected territory would necessitate American Canyon increase its sworn officers from its current total of 23 to 30. The estimated cost to fund one new sworn officer totals \$0.17 million based on current personnel expenditures and would be dependent on available discretionary revenues.

Fire Protection and Emergency Medical

ACFPD presently is responsible for providing fire protection and emergency medical services to approximately one-half of the affected territory located near the Watson Lane area. ACFPD would assume service responsibilities for the remaining half from the County upon proposal approval with its administrative/operation facility located less than one mile away. ACFPD is a subsidiary district of American Canyon with the City Council serving as *ex officio* District Board members. ACFPD comprises both paid and volunteer

⁶ American Canyon's contract with the County provides the City Council flexibility to annually increase or decrease the number of sworn officers as needed.

firefighters and is licensed to administer basic life support, which consists of providing emergency first aid and cardiopulmonary resuscitation.⁷ The current ratio of paid firefighters for every 1,000 residents within the jurisdictional boundary is 1.0.

The Commission's recent municipal service review on the southeast county region noted ACFPD's average response time for emergency calls as measured by dispatch to arrival averaged just over four minutes for incidents within its jurisdictional boundary. ACFPD also responded to all emergency calls within its jurisdiction within five minutes at a rate of 90%, which satisfies its adopted response standard. Of significance, the municipal service review noted ACFPD has been able to satisfy its adopted response time standard despite an approximate 10% increase in total emergency calls over the previous five years from 1,237 to 1,365.

No immediate deficiencies are identified through information collected in the municipal service review with respect to assessing ACFPD's ability to respond to emergency calls within its adopted response time standard to the affected territory. This statement reflects the close proximity of ACFPD's station and assumes the volume of emergency calls would incrementally increase over time as the affected territory is developed. It is reasonable to assume the majority of new demands tied to the affected territory would be generated by residential uses. It is also reasonable to assume additional firefighter resources needed to accommodate new residential uses will be based on maintaining ACFPD's current benchmark of 1.0 firefighter per 1,000 residents. Maintaining this benchmark relative to the residential buildout of the affected territory would necessitate ACFPD increase its paid firefighters from its current total of 17 to 22. The estimated cost to fund one new firefighter totals \$0.11 million based on current personnel expenditures and would be dependent on available discretionary revenues.

Water Service

American Canyon would be responsible for providing water to the entire affected territory in support of its planned and expected urban development. American Canyon, as successor agency to ACCWD, already provides water service to two of the nine subject parcels comprising single-family residences. The remaining subject parcels are either dry or have established groundwater wells. In assessing current and future water service needs for the affected territory, it is assumed demands will be entirely dependent on potable supplies given non-potable supplies are not currently available to the site.⁸ Specific

⁷ ACFPD coordinates its emergency medical services with Piner Ambulance Service, which is contracted by the County to provide ambulatory services throughout the south county region.

⁸ American Canyon has established a recycled water service program providing tertiary treated supplies for landscape irrigation. This program currently provides 100 acre-feet per year to one customer, Green Island Vineyards. It is expected the affected territory will receive recycled water as part of American Canyon's planned expansions, although no timetable currently exists.

analysis relating to the availability and adequacy of water service within the affected territory is summarized below.

Supply and Demand

American Canyon's contracted potable water supplies currently provide a reliable annual yield of 5,316 acre-feet under normal conditions.⁹ The current annual demand recorded for 2009 and adjusted to account for conditionally approved annexations totals 4,242 acre-feet.¹⁰ These existing demands result in an available surplus of 1,074 acre-feet. The adjusted peak day demand is 18.0 acre-feet.¹¹

If the proposal is approved, and based on previously outlined assumptions, the affected territory's buildout under American Canyon would generate an additional annual water demand of 398.2 acre-feet under normal conditions.¹² This demand is approximately 100 acre-feet greater than the annual amount specifically contemplated for the "Town Center" project under American Canyon's Urban Water Management Plan (UWMP). The difference is directly attributed to the expansion of the Town Center project site following the UWMP publication. American Canyon notes the deintensification of planned development for the Oat Hill/Eucalyptus Grove area effectively covers the added demands tied to the Town Center project.¹³ Buildout would also be expected to increase American Canyon's peak day demand from 18.0 to 19.7 acre-feet.¹⁴

As outlined in the preceding paragraphs, American Canyon's existing water supplies are sufficient to accommodate projected demands within the affected territory at its expected buildout under normal conditions. The additional demands, however, would intensify American Canyon's existing supply shortfall to (1,118) acre-feet and (601) acre-feet under single dry and multiple dry years, respectively, as summarized below.¹⁵

⁹ American Canyon contracts for annual water supplies with Napa County Flood Control and Water Conservation District and City of Vallejo. The reliable yield estimate assumes American Canyon will receive 70% of its entitlement through the State Water Project and 100% of its entitlement from Vallejo.

¹⁰ The recorded total water demand for 2009 was 3,953 acre-feet. This amount has been adjusted to account for estimated water demands associated with recent annexation approvals that are expected to generate an additional annual water demand of 289 acre-feet.

¹¹ American Canyon's recorded peak day demand in 2009 was 16.8 acre-feet. This amount has been adjusted to account for additional demands associated with recent annexation approvals that are expected to raise the peak day demand from 16.8 to 18.0 acre-feet.

¹² Estimate projects a daily (a) residential use factor of 200 gallons per unit (1,600) and (b) non-residential use factor of 1,125 gallons per acre (31.5).

¹³ The Oat Hill/Eucalyptus Grove area was previously planned for a mix urban-use project which would have included the construction of 1,300 to 1,600 residential units. This project was terminated in 2008. The development of the area has been subsequently parsed with the Eucalyptus Grove area now expected to be developed for private or public commercial recreational uses.

¹⁴ Estimate incorporates a peak factor of 1.55 based on the difference between average and peak day demands in 2009.

¹⁵ Existing and projected shortfalls during single dry and multiple dry years incorporate delivery estimates prepared by the Department of Water Resources for the State Water Project as of August 2010.

Baseline Conditions

(Amounts in Acre-Feet)

Category	Normal	Single Dry Year	Multiple Dry Year
Annual Supply	5,316	2,594	3,529
Annual Demand	4,242	3,394	3,775
	1,074	(800)	(246)

Post-Annexation With Buildout of the Affected Territory

(Amounts in Acre-Feet)

Category	Normal	Single Dry Year	Multiple Dry Year
Annual Supply	5,316	2,594	3,529
Annual Demand	4,640	3,712	4,130
	676	(1,118)	(601)

Supply Factors/Assumptions

- * Normal supply assumes 70% of SWP entitlement and 100% of Vallejo entitlement
- * Single dry year supply assumes 7% of SWP entitlement and 100% of Vallejo entitlement
- * Multiple dry year supply assumes 34% of SWP entitlement and 100% of Vallejo entitlement
 (SWP entitlement assumptions based on DWR 2009 Reliability Report)

Demand Factors/Assumptions

- * Normal reflects current demand adjusted to incorporate recent conditionally approved annexations
- * Single dry year demand reflects a 20% overall reduction
- * Multiple dry year demand reflects a 11% overall reduction
 (Demand reductions based on American Canyon's UWMP 2005 Report)

With regards to immediate steps to address the supply shortfall, American Canyon has recently established a four-tiered conservation plan to further reduce demands during dry years through volunteer and mandatory measures. American Canyon's application materials also believe the extent of the shortfall during single dry years will be measurably diminished and eliminated during multiple dry years based on forecasting an overall 20% decline in demands due to declining consumption rates. This latter assumption appears reasonable, but dependent on several external and unknown factors relative to the review of this proposal.

In terms of long-term steps to address the supply shortfall, American Canyon is authorized to purchase additional annual entitlements from Vallejo through 2021 totaling 1,855 acre-feet. This additional entitlement is available in three incremental purchases beginning with 723 acre-feet by May 2011.¹⁶ Notably, exercising this initial increment purchase would entirely mitigate the projected shortfall calculated by staff under multiple dry year conditions while addressing three-fifths of the projected shortfall under single dry year conditions.

¹⁶ Subsequent annual supply entitlement purchases from Vallejo would be available to American Canyon in the amount of 566 acre-feet by May 2016 and 566 acre-feet by May 2021.

Treatment and Storage

American Canyon is responsible for treating three-fourths of its contracted water supplies at its treatment facility located off of Jamieson Canyon Road. (The remaining one-fourth amount is pre-treated by Vallejo.) The treatment facility was recently upgraded and is capable of treating up to 16.8 acre-feet of water daily. Treated water enters and pressurizes American Canyon’s distribution system by collecting within one of four reservoir tanks with a combined storage capacity of 14.4 acre-feet.

American Canyon’s treatment and storage capacities are sufficient in independently meeting current and projected average day water demands at buildout of the affected territory. These capacities, however, are insufficient in meeting American Canyon’s current peak day demand of 18.0 acre-feet, which is expected to increase to 19.7 acre-feet with the buildout of the affected territory. Storage shortfalls are expected to be addressed with the budgeted construction of a new 2.0 million gallon steel storage tank to be located adjacent to the American Canyon High School property. Construction of the new storage tank will increase American Canyon’s available storage capacity to 20.5 acre-feet; an amount that will satisfy the City’s projected peak day demands upon buildout of the affected territory. American Canyon anticipates completing construction of the new storage tank no later than 2014. The following table summarizes current and post-annexation demands relative to American Canyon’s treatment and storage capacities.

Baseline Conditions
 (Amounts in Acre-Feet)

Treatment Capacity	Storage Capacity	Average Day Demand	Peak Day Demand
16.8	14.4	11.6	18.0

Post-Annexation with Buildout of the Affected Territory
 (Amounts in Acre-Feet)

Treatment Capacity	Storage Capacity	Average Day Demand	Peak Day Demand
16.8	20.5	12.7	19.7

* Storage capacity assumes American Canyon will complete construction on a new 2.0 million gallon storage tank by buildout of the affected territory.

Sewer Service

American Canyon would be responsible for providing sewer to the entire affected territory in support of its planned and expected urban development. All nine subject parcels are currently dry or on septic systems. Specific analysis relating to the availability and adequacy of sewer service in the affected territory is summarized below.

Collection and Treatment

American Canyon’s collection system is divided between three distinct basins covering the central, west, and northern portions of American Canyon’s service area. Sewage collected in the central basin is primarily generated from residential users and represents approximately four-fifths of the total average demand. The remaining amount is generated by commercial and industrial users in the western and northern basins. Each basin includes its own pump station and conveys raw sewage to American Canyon’s wastewater treatment facility located at the western terminus of Eucalyptus Drive northwest of the Eucalyptus Grove property.

American Canyon recently upgraded its wastewater treatment facility to accommodate average dry weather flows of 2.5 million gallons and peak wet weather flows of 5.0 million gallons.¹⁷ The current average dry and peak wet weather daily flows, which are adjusted to account for conditionally approved annexations, are estimated to be 1.7 and 4.3 million gallons, respectively.¹⁸ These current amounts represent 68% and 85% of the treatment plant’s design capacities.

Projected dry weather and peak wet weather flows tied to the buildout of the affected territory can be adequately accommodated through American Canyon’s existing wastewater collection and treatment capacities. Specifically, the affected territory’s buildout will leave American Canyon’s collection and treatment system with available daily dry weather and peak wet weather capacities of 0.52 and 0.39 million gallons, respectively, as summarized below.

Baseline Conditions

(Amounts in Million Gallons Per Day)

Average Dry Weather

Peak Wet Weather

Total Capacity	Total Demand	Available Capacity
2.50	1.70	0.80

Total Capacity	Total Demand	Available Capacity
5.00	4.25	0.75

Annexation With Buildout of the Affected Territory

(Amounts in Million Gallons Per Day)

Average Dry Weather

Peak Wet Weather

Total Capacity	Total Demand	Available Capacity
2.50	1.98	0.52

Total Capacity	Total Demand	Available Capacity
5.00	4.61	0.39

¹⁷ American Canyon also has an approximate 5.0 million gallon adjacent earthen basin to temporarily store excessive flows before returning for treatment.

¹⁸ The current wet weather peaking factor is 2.5 and is attributed to high inflow/infiltration in the western and northern basins due to aging infrastructure. Staff has reduced the wet weather peaking factor for the buildout of the affected territory to 1.25 given the site would be served by new collection infrastructure.

Discharge

American Canyon pumps treated wastewater into adjacent earthen storage basins with a combined capacity of 6.0 million gallons to complete the chlorination and suspension process prior to discharge. American Canyon is authorized by the California State Water Resources Control Board to discharge finished tertiary wastewater into the Napa River through the North Slough between November 1st and April 30th. American Canyon discharges finished tertiary wastewater during the remainder of the year into adjacent wetlands owned by the City. This dry-season discharge effectively provides American Canyon with unlimited *disposal capacity* and is part of a long-term effort to restore the adjacent wetlands given their prior use as salt ponds (emphasis added).

3) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.

The proposal would recognize and strengthen economic and social ties existing between the affected territory and American Canyon. These ties, which also apply to ACFPD given its subsidiary status to American Canyon, were established in 1997 when the City included all nine subject parcels into its original urban limit line (ULL).¹⁹ The addition of these parcels in the ULL marked a standing expectation the lands be eventually annexed and developed for a mix of urban-type uses and serve as a community anchor. This expectation is memorialized as Policy 1.19 in the American Canyon General Plan, which states:

“Provide for the development of a Town Center that physically and functionally serves as the symbolic and identifiable focus of community activities and events for American Canyon and which is a regional destination within Napa Valley.”

The Commission has also recognized and strengthened these ties in adding the subject parcels proposed for annexation to American Canyon and ACFPD’s spheres of influence as part of recent comprehensive updates.

With respect to the recommended modification detailed on page of four of the report, concurrently detaching the majority of the affected territory from CSA No. 4 supports mutual social and economic interests. Specifically, detaching the lands would recognize the discontinuity between their present and probable urban uses and the role of the CSA No. 4 in providing farmworker housing.

¹⁹ All nine subject parcels were retained in the revised and reduced ULL adopted by American Canyon in 2008.

4) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies set forth in G.C. Section 56377.

The Commission has previously determined American Canyon is the logical land use and service provider for the affected territory by previously adding the lands to the City's sphere of influence. Adding these properties to the sphere of influence marked an explicit Commission determination that the future annexation and urban development of the lands represent an orderly extension of American Canyon relative to local needs and subject to timing considerations.

All of the affected territory qualifies as open-space given the lands' designation under the County General Plan. Further, a sizeable portion of the affected territory qualifies as prime agricultural land under LAFCO law.²⁰ This potential loss of prime agricultural land was previously contemplated by the Commission in adding the lands to the sphere of influence and is deemed acceptable given local conditions and circumstances.

5) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

Close to one-half of the affected territory is enrolled in a Williamson Act contract and therefore qualifies as agricultural land under LAFCO law. Nearly this entire amount is tied to a Williamson Act contract (54488) that has been non-renewed and set to expire in March 2012. The remaining amount is tied to a Williamson Act contract (98086) that is under automatic renewal. American Canyon's application materials attest the City shall succeed to both contracts. This succession retains the status quo with respect to maintaining the subject lands' agricultural integrity upon proposal approval.

6) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.

A map and description of the affected territory were prepared by American Canyon as part of its property tax agreement with the County. These documents provide reasonable assurances to the Commission with respect to identifying the definitiveness of the affected territory. Proposal approval would include a standard term requiring the applicants to prepare maps and geographic descriptions depicting the affected territory in conformance with the standards of the State Board of Equalization.

²⁰ G.C. Section 56064 defines prime agricultural land to mean any area that has not been developed other than for an agricultural use and meets certain criteria. This includes land that qualifies, if irrigated, for a Class I or II rating by the United States Department of Agriculture. Staff has confirmed approximately two-fifths of the affected territory comprises Class II soil (Clear Lake Clay).

Approval as proposed would create non-conformance with lines of assessment. This non-conformance relates to the proposed annexation of portions of three assessor parcels – which parallel legal lots – identified as 059-020-032, 059-020-029, and 059-030-003. American Canyon proposes the proportional annexation of these assessor parcels consistent with its designation and rezoning standards of *Town Center*; the remaining portions of the affected assessor parcels are designated and rezoned *Special Study*. A review of options to mitigate against creating a non-conforming annexation boundary with lines of assessment is provided on page 21 of this report.

Approval as proposed would also create under Commission policy an unincorporated island substantially surrounded by American Canyon. The potential island would lie west of the affected territory in the Watson Lane area and total 75 acres. Previous outreach efforts indicate a majority of landowners and residents oppose annexation. A review of options to mitigate against creating an unincorporated island is provided on page four of this report.

7) Consistency with the city or county general plans, specific plans, and adopted regional transportation plan.

The American Canyon General Plan designates the entire affected territory as *Town Center*. This designation contemplates a broad range of urban uses, including attached and detached single-family residential, visitor serving, retail commercial, professional offices, entertainment, and public facilities. The American Canyon General Plan specifies the location on land uses and density levels will be determined through the subsequent approval of one or more specific plans. American Canyon's designation contrasts with the County General Plan, which designates the affected territory as *Agriculture, Watershed, and Open Space* with the expectation the land be generally used for agriculture, processing of agricultural products, and single-family dwelling units on minimum lot sizes of 160 acres. In 2008, the County completed an update to its General Plan that, among other things, reconciled the referenced contrast to illustrate the entire affected area as part of American Canyon's revised ULL. This illustration reflects the County's expectation the entire affected area would be eventually developed for urban-type uses in American Canyon.

The Metropolitan Transportation Commission's regional transportation plan (RTP) was updated in April 2009 and outlines specific goals and objectives to direct public transportation infrastructure in the Bay Area through 2035. No specific projects are included in the RTP involving the affected territory. Accordingly, the proposal impact is neutral with respect to the RTP.

8) The sphere of influence of any local agency applicable to the proposal.

The affected territory was added to American Canyon and ACFPD's spheres of influence as part of comprehensive updates completed in June and August 2010, respectively. Both updates were adopted as part of noticed public hearings.

9) The comments of any affected local agency or other public agency.

On October 19, 2010, LAFCO staff circulated copies of the application materials submitted by American Canyon and ACFPD for review and comment to local governmental agencies, including the County, CSA No. 4, and the Napa Valley Unified School District. One written comment was received from County Conservation, Development, and Planning signed by Director Hillary Gitelman. The letter outlines the County's support for the proposal consistent with its 2008 agreement with American Canyon. The letter notes the agreement commits American Canyon to accept a portion of the County's Regional Housing Needs Allocation in the next two housing cycles in exchange for support for the annexation. A copy of the County's comment letter is attached.

10) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Information collected and analyzed in the Commission's recent municipal service review on the southeast county region indicates American Canyon and ACFPD have developed overall adequate financial resources and controls relative to their service commitments. Additional analysis provides reasonable assurances American Canyon and ACFPD's fiscal capacities would enable the agencies to extend services specifically to the affected territory consistent with the land use and density assumptions outlined on page seven of this report without significant adverse impacts. An expanded discussion on the financial resources and controls of the two agencies follows.

American Canyon

American Canyon's unreserved/undesignated balance in the General Fund at the beginning of the fiscal year totaled \$3.0 million and equals one-fifth of its adopted operating costs in 2010-2011.²¹ This balance has been significantly reduced over the end of the last fiscal year by close to one-third due to budgeted operating shortfalls caused by declining property and sales tax revenues. At the time of budget adoption, American Canyon anticipated a (\$0.8 million) shortfall in operating costs, which would further reduce the City's unreserved/undesignated fund balance to \$2.2 million.

²¹ American Canyon's adopted amended general fund expenses in 2010-2011 total \$16.4 million.

In order to help eliminate the structural imbalance within the General Fund, American Canyon has implemented a 36-month strategy to reduce discretionary expenses highlighted by eliminating nine full-time positions and instituting 15 staff furlough days. The strategy also assumed successful passage of an increase in the transient-occupancy tax from 10 to 12%. The tax increase was approved in November 2010 and is expected to generate an additional \$120,000 in discretionary revenues. A summary of American Canyon’s General Fund balance over the last five fiscal years follows.

American Canyon’s General Fund Balance

(Source: City of American Canyon)

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Reserved	1.376	2.913	2.077	2.990	4.287
Unreserved/Designated	5.569	3.795	4.020	4.040	2.762
Unreserved/Undesignated	1.174	1.255	4.880	4.297	3.024
<i>Total</i>	<i>\$8.119</i>	<i>\$7.963</i>	<i>\$10.977</i>	<i>\$11.327</i>	<i>\$10.074</i>

Dollars in Millions / Amounts as of July 1st

Proposal approval and the anticipated buildout of the affected territory would have a measurable impact on American Canyon with respect to additional demands on the City’s discretionary revenues. It is reasonable to assume the additional demands on discretionary revenues would primarily involve funding additional law enforcement personnel for American Canyon to maintain a ratio of sworn officers to residents equal to current levels. As detailed on page eight of this report, the present-day cost to American Canyon to annually fund the seven new sworn officer positions needed to maintain the current police-to-resident ratio totals \$1.19 million. It is presumed three-fifths of this discretionary cost could be drawn from annual revenues generated from sales and property taxes directly tied to the residential buildout of the affected territory, which are expected to total \$0.74 million in present-day values.²² It is also reasonable to assume the remaining two-fifths, or \$0.45 million, in new annual discretionary costs to American Canyon would be adequately covered by other tax and fee revenues tied to the non-residential buildout and uses of the affected territory.

Additionally, other services needed within the affected territory upon buildout, such as water and sewer, are self-funded through (a) connection fees and (b) usage charges. These revenue sources serve as American Canyon’s buy-in charge for new customers to contribute their fair share for existing and future facilities necessary to receive water and sewer services as well as fund ongoing maintenance expenses. Accordingly, these other services would not generate any new unfunded demands on American Canyon.

²² Staff calculates the affected territory’s residential buildout would generate approximately \$0.69 million for American Canyon in new annual sales tax revenues based on applying the per capita sales tax ratio of \$144.21, which reflects the average amount collected between 2007-08 and 2008-09. The affected territory’s buildout would also generate approximately \$0.05 million in new annual property tax revenues based on the negotiated property tax agreement between American Canyon and the County applied to the current per housing unit value of \$0.30 million.

ACFPD

ACFPD’s unreserved/undesignated balance supporting general operations at the beginning of the fiscal year totaled \$1.2 million and equals one-third of its adopted operating costs in 2010-2011.²³ This balance has been reduced over the end of the last fiscal year by two-fifths due to budgeted operating shortfalls. At the time of budget adoption, ACFPD anticipated a (\$0.3 million) shortfall in operating costs, which would further reduce the undesignated/unreserved fund balance to \$0.9 million. A summary of the General Operations Fund balance over the last five fiscal years follows.

ACFPD’s General Operations Fund Balance

(Source: ACFPD)

Category	2005-06	2006-07	2007-08	2008-09	2009-10
Unreserved/Designated	0.000	0.000	2.228	2.201	1.447
Unreserved/Undesignated	2.134	2.228	0.940	2.130	1.204
<i>Total</i>	<i>\$2.134</i>	<i>\$2.228</i>	<i>\$3.168</i>	<i>\$4.332</i>	<i>\$2.651</i>

Dollars in Millions / Amounts as of July 1st

Similar to American Canyon, proposal approval and the anticipated buildout of the affected territory would have a measurable impact on ACFPD with respect to additional demands on the District’s discretionary revenues supporting general operations. It is reasonable to assume the additional demands on discretionary revenues would primarily involve funding additional personnel for ACFPD to maintain a ratio of firefighters to residents equal to current levels. As detailed on page nine of this report, the present-day cost to ACFPD to annually fund the five new firefighter positions needed to maintain the current firefighter-to-resident ratio totals \$0.55 million.

Unlike American Canyon, it is reasonable to assume ACFPD will not recover a substantial portion of its added discretionary cost tied to the residential buildout of the affected territory through new tax revenues. Close to four-fifths of ACFPD’s general operations are funded through property taxes. The residential buildout of the affected territory is expected to only generate less than one percent of the estimated cost to fund five new firefighter positions.²⁴ The lack of expected discretionary revenues tied to residential buildout highlights the relevance of ACFPD’s track record in negotiating impact fees with developers to reduce the District’s allocation of general revenues to fund capital projects, such as equipment purchases. This track record coupled with current financial resources provides reasonable assurances ACFPD has sufficient revenues and administrative controls to serve the affected territory.

²³ ACFPD’s adopted amended general operating expenses in 2010-2011 total \$4.3 million.

²⁴ Staff calculates the affected territory’s residential buildout would generate approximately \$2,648 for ACFPD in new annual property taxes based on the negotiated property tax agreement between ACFPD, American Canyon, and the County applied to the current per housing unit value of \$0.30 million.

11) Timely availability of water supplies adequate for projected needs as specified in G.C. Section 65352.5.

An expanded discussion on American Canyon’s water supplies is provided on pages 9 to 11 of this report.

12) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 of Chapter 3 of Division 1 of Title 7.

The proposal will have a positive impact on the County in meeting its future regional housing needs as determined by the Association of Bay Area Governments (ABAG). This impact is tied to a 2008 agreement in which American Canyon agreed to assume a substantial portion of the County’s near-term regional housing needs assignments in exchange for the County’s support for the annexation of the affected territory.²⁵ It is reasonable to assume the proposal will increase American Canyon’s future regional housing needs due to the job creation potential tied to the affected territory. The increase and the extent of the impact on American Canyon are not known at this time.²⁶

13) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

All subject landowners have consented to the proposal.

14) Any information relating to existing land use designations.

The County designates the entire affected territory as *Agriculture, Watershed, and Open Space*. American Canyon designates the entire affected territory as *Town Center*. The following table summarizes contemplated land uses and densities within these respective designations.

Designations for Affected Territory		
	City of American Canyon	County of Napa
Designation	Town Center	Agriculture, Watershed, and Open Space
General Uses	Government and community services, retail commercial, offices, entertainment, cultural facilities, visitor-serving facilities, transit, attached or detached residential	Agriculture, processing of agricultural products, single-family dwellings
Lot Density	TBD by Specific Plan	Minimum: 160 acres

²⁵ The agreement commits American Canyon to assume 368 total housing units from the County over the next two planning cycles (2014 and 2021). The County’s current housing unit assignment is 651.

²⁶ American Canyon does not currently have a certified housing element for the 2008-2014 cycle. American Canyon reports it is working with Housing Community Development and anticipates receiving certification within the next several months.

15) The extent to which the proposal will promote environmental justice.

There is no documentation or evidence suggesting the proposal would have a measurable effect with respect to promoting environmental justice.

16) Whether the proposed annexation will be for the interest of the landowners or present or future inhabitants within the affected district and within the territory proposed to be annexed to the district.

The proposed annexation of the affected territory to ACFPD will benefit current and future landowners and residents by providing an elevated of fire protection and emergency medical service consistent with the lands' planned urban uses.

Terms and Conditions

Standard Terms

The Commission's standard terms would apply to the proposal if approved. This includes requiring the applicants to prepare final maps and geographic descriptions identifying the approved boundary changes for (a) American Canyon and (b) ACFPD consistent with the requirements of the State Board of Equalization. Other standard terms include the applicants submitting signed indemnification agreements and paying all outstanding fees tied to the proposal.

Additionally, as detailed on page 14 of this report, close to one-half of the affected territory's acreage is enrolled in a Williamson Act contract. American Canyon attests it will succeed to both Williamson Act contracts tied to the affected territory. Accordingly, the Commission shall include a standard approval term to state American Canyon will succeed to all rights, duties, and powers of the County in administering the contracts consistent with G.C. Section 56243.

Special Terms

Staff has identified two potential special approval terms the Commission may consider applying to the proposal as summarized below.

Purchase of Additional Water Supplies

The Commission may consider conditioning approval to require American Canyon exercise its right to purchase an additional 722 acre-feet of entitlement water from the City of Vallejo. This special term would substantially address the projected water supply shortfalls associated with the annexation and planned development of the affected territory as outlined on pages 9 to 11 of this report. This special term would also establish an explicit and proactive connection between expanding American Canyon's incorporated boundary and the need for additional water supplies rather than implicitly assume the City will increase supplies post-annexation.²⁷ Staff believes there is *equal merit* to include or exclude this special approval term based on the preference of the Commission (emphasis added).

²⁷ This Commission is authorized to incorporate this type of special condition under G.C. Section 56886(v).

Lot Line Adjustments

The Commission may also consider conditioning approval to require American Canyon to process lot-line adjustments for three of the nine subject parcels to ensure the annexation does not split legal lots or assessor parcels. This issue is detailed on page 15 of the report and originally raised by the County Assessor. However, after careful review and discussion with American Canyon, staff *recommends against* including this special term given two specific conditions underlying the proposal (emphasis added). First, it would be difficult for American Canyon to complete all necessary lot lines within the LAFCO required one-year timeframe given the unknown level of availability and cooperation from landowners. Second, a key underlying goal of the proposal is to facilitate the northern extension of Newell Drive. The exact location of the extension, however, is not known at this time. Consequently, pursuing lot-line adjustments appears premature until a specific plan is completed and the exact location of the extension is identified. Staff has conveyed these conclusions to the County Assessor and no objections in proceeding accordingly have been raised.

Prezoning Assignment

G.C. Section 56375(3) requires cities prezone territory as a precondition to annexation. Accordingly, American Canyon has prezoned the affected territory *Town Center* consistent with a successful voter initiative implemented in November 2008.

Property Tax Agreement

Revenue and Taxation Code Section 99(b)(6) requires adoption of a property tax exchange agreement by affected local agencies before LAFCO can consider a change of organization. This statute applies regardless of private or public ownership. With respect to this proposal, American Canyon and the County have previously agreed by resolution to a property tax exchange agreement applicable to the affected territory. The agreement was adopted in 2010 and specifies American Canyon and ACFPD shall receive 47.5% and 5% of the County's existing portion of property tax revenues, respectively.

Environmental Review

Discretionary actions by public agencies are subject to the California Environmental Quality Act (CEQA) any time an underlying activity will result in a direct or indirect physical change to the environment. A lead agency has the principal responsibility for carrying out or approving a project consistent with the provisions of CEQA. This includes determining whether the underlying activity qualifies as a project under CEQA. If the activity is determined to be a project, the lead agency must determine if an exemption applies or if additional environmental review is needed. A responsible agency is accountable for approving an associated aspect of the underlying activity and must rely on the lead agency's determination in making its own CEQA finding.

In adopting a resolution of application, American Canyon designated the County of Napa as lead agency with respect to assessing the environmental impacts tied to the proposal. American Canyon found the Final Environmental Impact (FEIR) prepared for the 2008 County General Plan Update adequately addresses the environmental effects of the proposal and no subsequent review was needed under CEQA. This included the FEIR anticipating the cumulative impacts tied to annexing lands in American Canyon's ULL on agricultural lands, population and housing, traffic, air quality, biological resources, geology and soils, hydrology and water quality, cultural and paleontology resources, public resources and utilities, and visual resources. American Canyon also adopted and incorporated by reference the County's findings in declaring overriding considerations and establishing mitigation measures associated with the General Plan Update.

The Commission serves as responsible agency for the proposal. Staff has reviewed the addendum prepared by American Canyon and believes the City has made an adequate determination in considering the impacts tied to the proposal. Specifically, this involves finding the County's General Plan Update FEIR adequately contemplates the impacts tied to the affected territory's annexation. If the Commission approves the proposal, staff will file a notice of determination with the County Clerk-Recorder's Office.

Conducting Authority Proceedings

The affected territory qualifies as uninhabited and the affected landowners have consented to the proposal. No subject agency has requested a protest hearing. Conducting authority proceedings, accordingly, are waived under G.C. Section 56663.

D. Options for Commission Action

Staff has identified five broad options for Commission consideration with respect to the proposal. These options are summarized below.

- Option One:** Approve the proposal as submitted with standard conditions.
- Option Two:** Approve the proposal as modified to include concurrent detachment From CSA No. 4 with standard conditions.
- Option Three:** Approve the proposal as outlined under Option Two with a special condition requiring American Canyon to purchase additional water supplies from the City of Vallejo as detailed on page 20.
- Option Four:** Continue consideration of the item to a future meeting if more information is required.
- Option Five:** Disapprove the proposal. Disapproval would statutorily prohibit the initiation of a similar proposal for one year.

E. Recommendation

Staff recommends the Commission approve the proposal consistent with Option Two or Option Three as outlined in the preceding section. Option Two would reflect a general practice of the Commission in terms of requiring concurrent detachment from CSA No. 4 in anticipation of urban uses as well as incorporating standard conditions of approval such as requiring signed indemnification agreements. Option Three would expand on this general practice to also include a special condition to proactively direct American Canyon to make an infrastructure improvement in conjunction with proposal approval rather than rely on the agency to independently address the matter at a later date. Staff believes either option is appropriate depending on the level of oversight the Commission wishes to incorporate in fulfilling its regulatory duties and objectives.

Respectfully submitted,

Keene Simonds
Executive Officer

Brendon Freeman
Analyst

Attachments:

- 1) Draft Resolution of Approval (Option Two; Modification with Standard Conditions)
- 2) Draft Resolution of Approval (Option Three; Modification with Special Conditions)
- ~~3) Application Materials, Submitted October 6, 2010~~
- 4) Supplemental Application Materials: Spreadsheet Listing Affected Territory
- 5) Supplemental Application Materials: Preannexation/Development Agreement, Submitted November 17, 2010
- 6) Supplemental Application Materials: Succession to Williamson Act Contracts, Submitted November 17, 2010
- 7) Comment Letter from the County of Napa, Submitted November 4, 2010

RESOLUTION NO. _____**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
MAKING DETERMINATIONS****TOWN CENTER REORGANIZATION**

WHEREAS, the City of American Canyon and American Canyon Fire Protection District, hereafter referred to as “City” and “District,” have filed a proposal by resolutions of application with the Executive Officer of the Local Agency Formation Commission of Napa County, hereinafter referred to as the “Commission,” pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000;

WHEREAS, the proposal seeks annexation of certain territory to the City and District, referred to as the “Town Center;”

WHEREAS, the Executive Officer reviewed the proposal and prepared a report with recommendations;

WHEREAS, the proposal and the Executive Officer’s report have been presented to the Commission in the manner provided by law;

WHEREAS, the Commission heard and fully considered all the evidence presented at a public meeting held on the proposal;

WHEREAS, the Commission considered all the factors required by law under Government Code Section 56668; and

WHEREAS, the Commission, in accordance with California Environmental Quality Act (CEQA), has considered the adopted determinations of the ~~lead agency~~, County of Napa, deferred to as the lead agency by the City of American Canyon, concerning the potential environmental impacts associated with the proposal.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The Commission, as responsible agency, certifies it has reviewed and considered the environmental determinations prepared by the County of Napa in conjunction with certifying a Final Environmental Impact Report (FEIR) for its General Plan Update on June 3, 2008. The FEIR considered the impacts of future annexation of areas within the City’s adopted urban limit line (ULL), including the Town Center. The ULL was described as part of the “preferred plan” in the FEIR and anticipated the cumulative impacts related to annexation on agricultural lands, population and housing, traffic, air quality, biological resources, geology and soils, hydrology and water quality, cultural and paleontology resources, public resources and utilities, and visual resources. The FEIR is codified in County Resolution No. 08-86 and includes incorporated mitigation measures to help limit significant impacts along with a statement of overriding considerations to address certain significant and unavoidable effects. The Commission

hereby makes and incorporates by reference the County's determinations set forth in the referenced resolution, including approval to incorporate associated mitigation measures for the affected territory. The Commission's findings are based on its independent judgment and analysis. The records upon which these findings are made are located at the Commission office at 1700 Second Street, Suite 268, Napa, California.

2. The proposal is APPROVED with the following modification:
 - a) The affected territory is concurrently detached from County Service Area No. 4 with the exception of the property identified by the County of Napa Assessor's Office as 059-020-032.

3. The proposal is assigned the following distinctive short-term designation:

TOWN CENTER REORGANIZATION

4. The affected territory annexed to the City is shown in the draft map and geographic description provided in Exhibit "A."
5. The affected territory annexed to the District is shown in the draft map and geographic description provided in Exhibit "B."
6. The affected territory is uninhabited as defined in Government Code Section 56046.
7. The City utilizes the regular assessment roll of the County of Napa.
8. Upon effective date of the proposal, the affected territory will be subject to all previously authorized charges, fees, assessments, and taxes that were lawfully enacted by the City and District. The affected territory will also be subject to all of the rates, rules, regulations, and ordinances of the City and District.
9. The Commission authorizes conducting authority proceedings to be waived in accordance with Government Code Section 56663(c).
10. The Commission determines American Canyon shall succeed to the rights, duties, and powers of the County of Napa with respect to administering the two Williamson Act contracts within the affected territory pursuant to Government Code Section 51243.
11. Recordation is contingent upon receipt by the Executive Officer of the following:
 - (a) Final maps and geographic descriptions of the affected territory annexed to the (1) City and (2) District, determined by the County Surveyor to conform to the requirements of the State Board of Equalization.
 - (b) Payment of any outstanding fees owed to the Commission and/or other agencies involved in the processing of this proposal.
 - (c) Indemnification agreements signed by the City and District in a form provided by the Commission Counsel.

12. All terms and conditions shall be satisfied within one calendar year [of the proposal's approval](#) unless a request [for extension of time](#) is received and approved by the Commission.

13. The effective date shall be the date of recordation of the Certificate of Completion.

The foregoing resolution was duly and regularly adopted by the Commission at a public meeting held on December 6, 2010, by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSTAIN: Commissioners _____

ABSENT: Commissioners _____

ATTEST: Keene Simonds
Executive Officer

Recorded by: _____
Kathy Mabry
Commission Secretary

RESOLUTION NO. _____**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
MAKING DETERMINATIONS****TOWN CENTER REORGANIZATION**

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WHEREAS, the proposal seeks annexation of certain territory to the City and District, referred to as the “Town Center;”

WHEREAS, the Executive Officer reviewed the proposal and prepared a report with recommendations;

WHEREAS, the proposal and the Executive Officer’s report have been presented to the Commission in the manner provided by law;

WHEREAS, the Commission heard and fully considered all the evidence presented at a public meeting held on the proposal;

WHEREAS, the Commission considered all the factors required by law under Government Code Section 56668; and

WHEREAS, the Commission, in accordance with California Environmental Quality Act (CEQA), has considered the adopted determinations of the ~~lead agency~~, County of Napa, deferred to as the lead agency by the City of American Canyon, concerning the potential environmental impacts associated with the proposal.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The Commission, as responsible agency, certifies it has reviewed and considered the environmental determinations prepared by the County of Napa in conjunction with certifying a Final Environmental Impact Report (FEIR) for its General Plan Update on June 3, 2008. The FEIR considered the impacts of future annexation of areas within the City’s adopted urban limit line (ULL), including the Town Center. The ULL was described as part of the “preferred plan” in the FEIR and anticipated the cumulative impacts related to annexation on agricultural lands, population and housing, traffic, air quality, biological resources, geology and soils, hydrology and water quality, cultural and paleontology resources, public resources and utilities, and visual resources. The FEIR is codified in County Resolution No. 08-86 and includes incorporated mitigation measures to help limit significant impacts along with a statement of overriding considerations to address certain significant and unavoidable effects. The Commission

hereby makes and incorporates by reference the County's determinations set forth in the referenced resolution, including approval to incorporate associated mitigation measures for the affected territory. The Commission's findings are based on its independent judgment and analysis. The records upon which these findings are made are located at the Commission office at 1700 Second Street, Suite 268, Napa, California.

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7. The City utilizes the regular assessment roll of the County of Napa.
8. Upon effective date of the proposal, the affected territory will be subject to all previously authorized charges, fees, assessments, and taxes that were lawfully enacted by the City and District. The affected territory will also be subject to all of the rates, rules, regulations, and ordinances of the City and District.
9. The Commission authorizes conducting authority proceedings to be waived in accordance with Government Code Section 56663(c).
10. The Commission determines American Canyon shall succeed to the rights, duties, and powers of the County of Napa with respect to administering the two Williamson Act contracts within the affected territory pursuant to Government Code Section 51243.
11. The approval of the proposal is conditioned on the City providing written verification to the Commission that it has exercised its right to purchase an additional 722 acre-feet of annual water entitlement supplies from the City of Vallejo. ~~Written verification shall be provided in writing to the Commission.~~
12. Recordation is contingent upon receipt by the Executive Officer of the following:
 - (a) Final maps and geographic descriptions of the affected territory annexed to the (1) City and (2) District, determined by the County Surveyor to conform to the requirements of the State Board of Equalization.
 - (b) Payment of any outstanding fees owed to the Commission and/or other agencies involved in the processing of this proposal.

(c) Indemnification agreements signed by the City and District in a form provided by the Commission Counsel.

13. All terms and conditions shall be satisfied within one calendar year of the proposal's approval unless a request for extension of time is received and approved by the Commission.

14. The effective date shall be the date of recordation of the Certificate of Completion.

The foregoing resolution was duly and regularly adopted by the Commission at a public meeting held on December 6, 2010, by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSTAIN: Commissioners _____

ABSENT: Commissioners _____

ATTEST: Keene Simonds
Executive Officer

Recorded by: _____
Kathy Mabry
Commission Secretary

Study Area E
LAFCO Summary Information
Annexation Application
November 11, 2010

CBG Ref #	APN	TC Zoned Acres	Total Acres	Owner	AmCan Address	Assessed Value (**)	Writ & Consent	Current Use	Resident?	Registered Voter?	Voter Name
2	59-020-011	10.13	10.13	Steve Clerci	360 Watson Lane	\$142,766	Yes	House	Yes	Yes	Naysta Stacks
3	59-020-010	1.05	1.05	Jon/Margaret Roche	320 Watson Lane	\$73,264	Yes	House	Yes	No	N/A
	59-020-032 (*)	2.07	51.8	Gary Clarke	1250 Watson Lane	\$67,616	Yes	Vineyard	Yes	Yes	Teri Clarke
6	59-020-029 (*)	45.3	582	Jamcan (L Watson)	1000 Watson Lane	\$508,147	Yes	Raw Land	Yes	Yes	Jamie Lopez
7	59-020-009 (***)	126.59	126.59	Jamcan (L Watson)	1000 Watson Lane	\$1,736,135	Yes	Raw Land	No	No	N/A
8	59-020-008	7.19	7.19	Jamcan (L Watson)	1000 Watson Lane	\$79,590	Yes	Raw Land	No	No	N/A
9	59-030-003 (*)	52.51	160	Pamela Smith	570 S. Napa Junction Rd	\$328,527	Yes	Raw Land	No	No	N/A
10	059-020-026	37.53	37.53	Jamcan (Horseshoe)	425 Napa Junction Rd	\$302,847	Yes	Raw Land	No	No	N/A
11	059-020-030	<u>32.97</u>	32.97	Jamcan (Horseshoe)	425 Napa Junction Rd	\$269,640	Yes	Raw Land	No	No	N/A

(*) Only a portion of the parcel is being annexed.

(**) Calculated based on the percentage of land being annexed.

(***) Our calculations for the total acreage are different than the assessor's records.

RESOLUTION 2010- 118

**A RESOLUTION OF THE CITY COUNCIL OF AMERICAN CANYON
APPROVING A PREANEXATION AGREEMENT FOR TOWN CENTER**

WHEREAS, in 2008, the area proposed for annexation was designated as "Town Center" in the City's General Plan and pre-zoned to the "Town Center Zone District" through a citizen's initiative;

WHEREAS, in May 2010, the City of American Canyon and County of Napa entered into a property tax sharing and RHNA transfer agreement regarding the Town Center area;

WHEREAS, in June 2010, Napa County LAFCO amended the City's Sphere of Influence to include the Town Center area;

WHEREAS, in August 2010, LAFCO amended the Fire District's Sphere of Influence to include the Town Center area; and

WHEREAS, on October 5, 2010, the City Council approved the submittal of an application to LAFCO for the annexation of the Town Center; and

WHEREAS, A preannexation agreement is a common tool to help build consensus between the applicant and the City on the expectations for development intensities in the annexation area; and

WHEREAS, The proposed preannexation agreement identifies a maximum of homes and density ranges for the annexation area; and

WHEREAS, on November 16, 2010, the City Council conducted a duly noticed public meeting considered all of the written and oral testimony presented at the public meeting in making its decision.

NOW THEREFORE, THE CITY COUNCIL DOES HEREBY RESOLVE AS FOLLOWS:
Approve the Preannexation Agreement for Town Center as shown on Exhibit A.

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the City of American Canyon on November 16, 2010 by the following vote:

Mayor Garcia:	<u>yes</u>
Vice Mayor West:	<u>yes</u>
Council Member Bennett:	<u>yes</u>
Council Member Callison:	<u>yes</u>
Council Member Coffey:	<u>absent</u>

Leon Garcia
Leon Garcia, Mayor

ATTEST:
Rebekah Barr
Rebekah Barr, CMC, City Clerk

APPROVED AS TO FORM:
William D. Ross
William D. Ross, City Attorney

**Pre-Annexation Memorandum of Understanding for the Town Center Property Between
the City of American Canyon and American Canyon I, LLC**

This Memorandum of Understanding (MOU) dated as of Nov. 16, 2010 is entered into by and between the City of American Canyon (City) and American Canyon I, LLC (ACI) (collectively, the Parties) and summarizes certain of the basic assumptions for the future preparation of a development proposal for certain real property located in Napa County and proposed for annexation to the City of American Canyon (City), more particularly described in Attachment A (the Town Center Property). This MOU is intended to be the basis for preparation of a Specific Plan, a Development Agreement, and other necessary entitlement and transaction documents (collectively, the Project Documents). The Parties acknowledge that, as of the date specified above, neither ACI nor the City has prepared, proposed, applied for, or otherwise undertaken any specific development proposal with respect to the Town Center Property. Consequently, at this time there is no specific information available with respect to a specific development project for the Town Center Property. Once ACI proposes, and files the appropriate applications with the City for, a specific development project for the Town Center Property, and subject to compliance with the California Environmental Quality Act (CEQA), the public review process, and the processes for obtaining all required governmental approvals, as further provided below, the Parties shall in good faith prepare and negotiate the Project Documents in accordance with the following principles:

1. **Property to be Included in the Specific Plan:** The Specific Plan will likely include the real property described in Attachment A.
2. **Specific Plan:** The City and ACI will prepare the Specific Plan in accordance Government Code sections 65450-65456. In accordance with the Town Center Zone District, Chapter 19.12 of the City's Municipal Code, the Specific Plan will include a range of densities not to exceed twenty (20) units per acre for areas designated for multifamily uses and not less than six (6) units per acre for areas designated for single family uses for a total unit count of 1600 residential dwelling units; other uses consistent with the purpose of the town center zone district; a transportation element, including funding mechanisms and obligations; an infrastructure element that identifies specific on-site and off-site improvements necessary to serve the proposed development with water, wastewater, drainage, solid waste disposal, energy and other essential infrastructure services and facilities, including funding mechanisms and obligations; development and performance standards; and a phasing plan. It is contemplated that community benefits and obligations associated with development in accord with the Specific Plan shall be spread to all the properties included in Attachment A.
3. **Environmental Review:** The County of Napa's General Plan Update EIR analyzed the impacts of annexation of the Town Center Property at a program level of analysis. At this time, no specific development proposal for the Town Center Property is available and, consequently, there is no information on which to base additional project level environmental review. The Parties agree that, once a specific development proposal is prepared for the Town Center Property and the appropriate planning applications for such development proposal are properly filed with the City, the environmental review of the Specific Plan will consist of a

project Environmental Impact Report (EIR). No discretionary approval by the City shall be granted for the Project Documents unless and until the City has prepared and certified an EIR pursuant to the requirements of CEQA, including full consideration of project alternatives and mitigation measures. The EIR will be prepared in accordance with the City's Procedures for Cost Recovery and Environmental Review. The City will have responsibility for directing the preparation of the EIR and nothing in this MOU is intended, or shall be deemed, to affect the City's independent judgment and analysis as required by CEQA.

4. **Costs of Specific Plan and EIR Preparation:** ACI will fund the preparation of the Specific Plan and EIR in accordance with the City's Procedures for Cost Recovery. ACI may elect to seek a pro rata contribution from other benefited property owners included in the Specific Plan for the costs of the Specific Plan and EIR.

5. **School Site:** The Specific Plan will include the location of a school site.

6. **Development Agreement:** The Parties agree that they will enter into negotiations for a Development Agreement in connection with the Specific Plan. The Parties anticipate that should a Development Agreement be successfully negotiated the Development Agreement will contain the following provisions, among others: (a) a term allowing for the long-term, phased build-out of the Specific Plan; (b) special terms and conditions related to City fees and exactions; (c) vesting of all City entitlements; (d) City cooperation in diligently processing subsequent planning and permit approvals; (e) provisions related to the costs of the backbone transportation and other infrastructure that will serve the Specific Plan area; (f) terms related to implementing the City/County of Napa RHNA agreement; (g) reservation of capacity for the Specific Plan at the City's Wastewater Treatment plan and (h) provisions related to water supply for the Specific Plan. Both Parties reserve the right to add additional provisions to the Development Agreement and all Project Documents.

7. **Term Sheet and Project Schedule:** Prior to initiating work on the Project Documents or the EIR, the Parties will prepare a mutually acceptable Term Sheet and major milestone schedule for preparing the Project Documents and EIR and processing the required entitlements (the Term Sheet/Project Schedule). The Parties agree to use their best good faith efforts to complete the Project Documents, the EIR, and the entitlements in accordance with the Term Sheet/Project Schedule and any amendments thereto that may be mutually agreed to by the Parties.

8. **Interim Uses:** The Parties acknowledge that ACI may, in accordance with all applicable City requirements including Section 19.12.030 of the City Municipal Code, apply for permits and other necessary authorizations to use portions of the property owned by ACI for recreational use or commercial enterprises on an interim or temporary basis pending the City's processing of, and determinations with respect to, the Project Documents.

9. **MOU Effect:** While this MOU summarizes certain essential terms related to the proposed Project Documents, it does not set forth all of their material terms and conditions. This MOU is not intended to be and shall not become contractually binding on the City or MPI, and no legal obligation shall exist unless and until the Parties have negotiated, executed and delivered mutually acceptable Project Documents consistent with the requirements of CEQA,

and those Project Documents have been subject to the public review and hearing processes required by applicable law and received all applicable governmental approvals.

10. **ACI Discretion:** This MOU is not intended to and shall not require ACI to pursue any specific development plan for the Town Center Property now or in the future.

11. **City Discretion:** This MOU is not intended to and shall not in any way limit the City's discretion to approve, approve with conditions, or disapprove any of the Project Documents or approve an alternative considered in the EIR. The City reserves its right to exercise its full discretion in connection with any future proposed Project Documents and this MOU does not and shall not be interpreted to obligate the City to approve the Project Documents.

AMERICAN CANYON I, LLC

By: McGrath Properties American Canyon LLC,
its Manager

By: 
Terrence M. McGrath

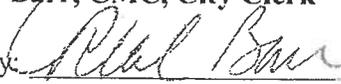
CITY OF AMERICAN CANYON

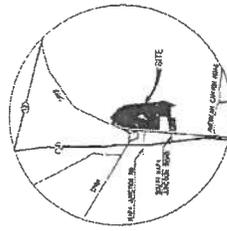
By: 
Leon Garcia, Mayor

APPROVED AS TO FORM
WILLIAM D. ROSS, City Attorney

By: 

ATTEST:
Rebekah Barr, CMC, City Clerk

By: 



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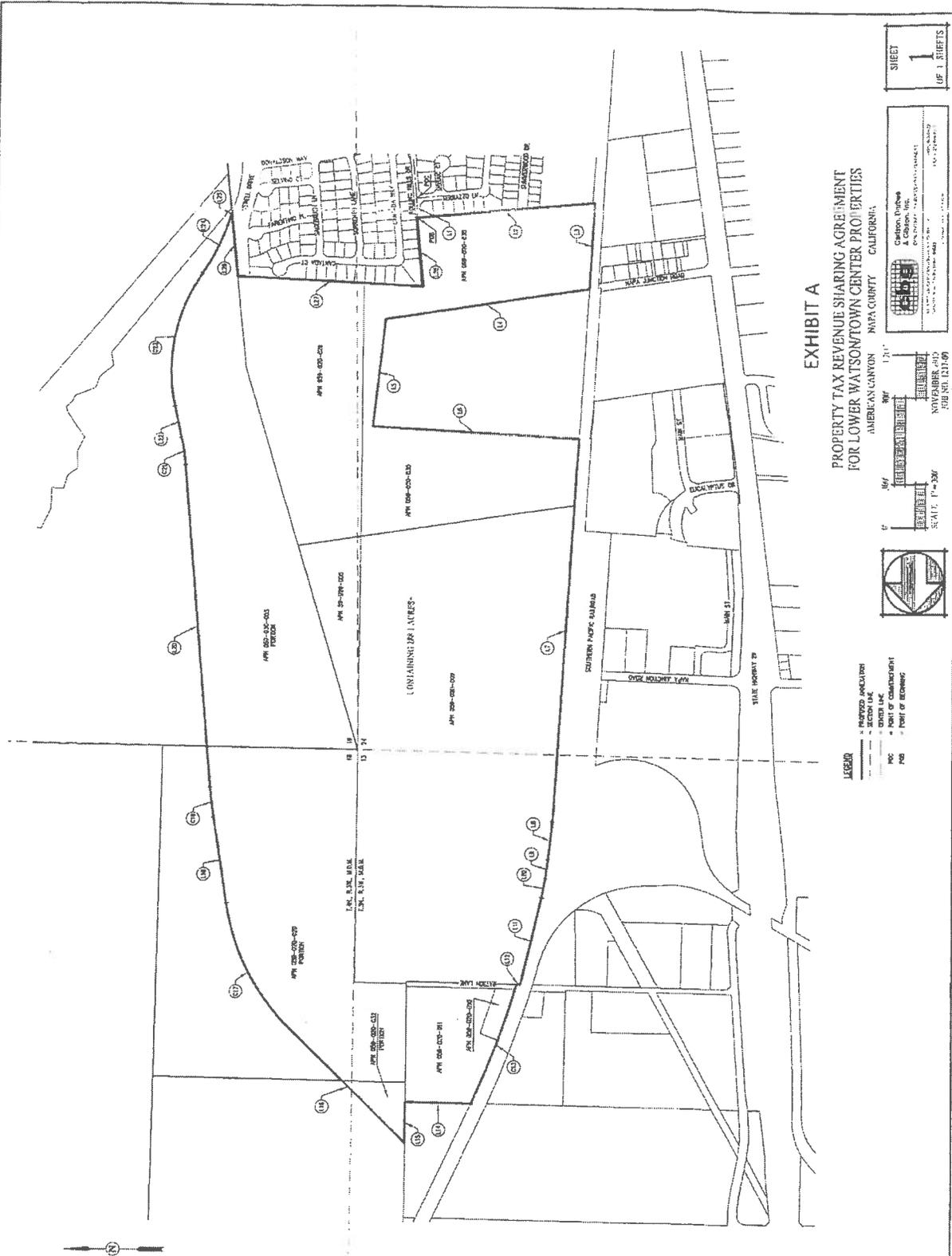


EXHIBIT A
PROPERTY TAX REVENUE SHARING AGREEMENT
FOR LOWER WATSON TOWN CENTER PROPERTIES
 AMERICAN CANYON, SANTA CRUZ COUNTY, CALIFORNIA

LEGEND

- PROPOSED ANCHORAGE
- EXISTING LOT
- PROPOSED ANCHORAGE
- POINT OF BEGINNING

SCALE: 1" = 200'

NOVEMBER 2010
SHEET 1 OF 1 SHEETS

CONTRACT NUMBER: 101-025-023

DATE: 11/11/10

PROJECT: 101-025-023

PREPARED BY: [Firm Name]

CHECKED BY: [Firm Name]

DATE: 11/11/10

PROJECT: 101-025-023

EXHIBIT A

RESOLUTION 2010- 109

**A RESOLUTION OF THE CITY COUNCIL OF AMERICAN CANYON
SUCCEEDING THE TWO WILLIAMSON ACT CONTRACTS TIED TO THE
PROPOSED TOWN CENTER ANNEXATION PURSUANT TO
GOVERNMENT CODE 56752**

WHEREAS, in 2008, the area proposed for annexation was designated as "Town Center" in the City's General Plan and pre-zoned to the "Town Center Zone District" through a citizen's initiative;

WHEREAS, in May 2010, the City of American Canyon and County of Napa entered into a property tax sharing and RHNA transfer agreement regarding the Town Center area;

WHEREAS, in June 2010, Napa County LAFCO amended the City's Sphere of Influence to include the Town Center area;

WHEREAS, in August 2010, LAFCO amended the Fire District's Sphere of Influence to include the Town Center area; and

WHEREAS, on October 5, 2010, the City Council approved the submittal of an application to LAFCO for the annexation of the Town Center; and

WHEREAS, in accordance with Government Code 56752, when this property is annexed, administrative duties associated with these contracts will transfer from the County of Napa to the City of American Canyon; and

WHEREAS, on November 16, 2010, the City Council conducted a duly noticed public meeting considered all of the written and oral testimony presented at the public meeting in making its decision.

NOW THEREFORE, THE CITY COUNCIL DOES HEREBY RESOLVE AS FOLLOWS: Approve the succession of the two Williamson Act contracts tied to the proposed Town Center annexation pursuant to Government Code 56752.

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the City of American Canyon on November 16, 2010 by the following vote:

Mayor Garcia:	<u>yes</u>
Vice Mayor West:	<u>yes</u>
Council Member Bennett:	<u>yes</u>
Council Member Callison:	<u>yes</u>
Council Member Coffey:	<u>absent</u>

Leon Garcia
Leon Garcia, Mayor

ATTEST:
Rebekah Barr
Rebekah Barr, CMC, City Clerk

APPROVED AS TO FORM:
William D. Ross
William D. Ross, City Attorney

ATTACHMENT SEVEN



A Tradition of Stewardship
A Commitment to Service

Conservation, Development and Planning

1195 Third Street, Suite 210
Napa, CA 94559
www.co.napa.ca.us

Main: (707) 253-4417
Fax: (707) 253-4336

Hillary Gitelman
Director

November 4, 2010

Keene Simonds
Napa County LAFCO
1700 Second Street, Suite 268
Napa, CA 94559

RE: American Canyon Annexation Application Referral

Dear Keene,

Thank you for requesting the County's review of the City of American Canyon's proposal to annex the 291 acre Town Center site. We understand there would be concurrent annexation to the American Canyon Fire Protection District and detachment for County Service Area Number 4.

We respectfully provide the following comments:

- The entirety of the Town Center site was included in the Urban Limit Line described in the County's General Plan (adopted June 2008) and in the 2008 MOU between the County and the City of American Canyon (Napa County Agreement No. 7070). Thus the proposed annexation is consistent with the County's General Plan.
- Revenue sharing was the subject of a subsequent agreement between the City and the County adopted by the Board of Supervisors on May 25, 2010 (Napa County Agreement No. 7046). This agreement established a revenue sharing formula and also included a commitment that the City will accept a portion of the County's Regional Housing Needs Allocation (RHNA) in the next two housing cycles. Adoption of the revenue sharing agreement cleared the way for annexation of the property pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
- The 2010 agreement between the City and the County further provided that the County "will support the City's... request that LAFCO use its 'Southeast Napa: Municipal Service Review, June 2009' as the basis for its consideration of the Sphere of Influence and annexation and that LAFCO not require supplemental studies regarding infrastructure, services and finances except as such studies are required by California law." With this letter, the County is supporting the City's request.

- County staff has not reviewed the City's application packet in detail, but we understand the City has used the County's General Plan EIR (SCH# 2005102088, certified June 28, 2008) in its decision making process, and is proposing that LAFCO do the same.

The City's view is that annexation is simply a reorganization of boundary lines that would have impacts largely consistent with those identified by the County in its program level EIR. Certainly this is true for issues such as the conversion of agricultural land to urban uses, which was analyzed in the County's EIR and addressed by the findings adopted by the Board of Supervisors in conformance with State law. In addition, since the County's EIR used Association of Bay Area Governments (ABAG) projections to estimate likely development outside of County jurisdiction between 2005 and 2030, it should be relatively easy to confirm that the type and intensity of development facilitated by annexation is consistent with those projections.

Presumably the City will be conducting a detailed project-level environmental review prior to further local actions (e.g. rezoning, development agreements, project entitlements). We look forward to reviewing the City's project-level analysis and providing our comments on potential impacts and mitigation measures at that time.

Please let me know if I can answer further questions with regard to the pending application.

Regards,



Hillary Gitelman

cc. Nancy Watt, County CEO
Napa County Board of Supervisors
Larry Florin/File
Brent Cooper, American Canyon Community Development Director



Local Agency Formation Commission
LAFCO of Napa County

1700 Second Street, Suite 268
Napa, California 94559
Telephone: (707) 259-8645
Facsimile: (707) 251-1053
<http://napa.lafco.ca.gov>

December 6, 2010
Agenda Item No. 7b (Action)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Appointments to the 2011-2012 Budget Committee

The Commission will consider appointing two members to serve with the Executive Officer on the 2011-2012 Budget Committee.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 directs Local Agency Formation Commissions (LAFCOs) to annually prepare and adopt proposed and final budgets by May 1st and June 15th, respectively.

A. Discussion

It is the policy of LAFCO of Napa County ("Commission") to establish a budget committee at its last meeting of the calendar year. The budget committee consists of two appointed Commissioners and the Executive Officer. The budget committee is responsible for preparing a draft proposed budget for review by the Commission and those entities statutorily responsible for funding the agency no less than 30 days prior to its adoption. It has been the practice of the Commission to receive a draft proposed budget from the budget committee at its February meeting. Proposed and final budgets are generally presented to the Commission for adoption at its April and June meetings. Previous appointments to the budget committee are summarized below.

Term	Appointee	Appointee
2010-2011	Brian J. Kelly	Lewis Chilton
2009-2010	Brian J. Kelly	Jack Gingles
2008-2009	Brian J. Kelly	Jack Gingles
2007-2008	Brian J. Kelly	Brad Wagenknecht
2006-2007	Guy Kay	Brad Wagenknecht

B. Analysis

The 2011-2012 Budget Committee will review and make recommendations on baseline expenditures to maintain or adjust current agency service levels as deemed appropriate. The Committee will also be asked to consider the merits of a possible office relocation given the Commission's current lease expire on June 30, 2011.

Juliana Inman, Chair
Councilmember, City of Napa

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Vice Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

With respect to time commitments, it is anticipated the Committee will conduct a noticed public meeting during the second full week of January during the early afternoon. If needed, an additional noticed public meeting will be conducted in during the second week of March. Meetings generally last one hour. Committee members will receive a standard per diem for their attendance.

C. Recommendation

It is recommended the Commission take the following action:

- 1) Appoint two members to serve on the 2011-2012 Budget Committee.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

- ~~1) Policy on Preparation of the LAFCO Budget~~



Local Agency Formation Commission
LAFCO of Napa County

1700 Second Street, Suite 268
Napa, California 94559
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December 6, 2010
Agenda Item No. 7c (Action)

November 29, 2010

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Financial Audit for Fiscal Year Ending June 30, 2010

The Commission will review a written report from an outside consultant auditing the agency's financial statements for the 2009-2010 fiscal year. The report is being presented to the Commission to receive and file.

It is the practice of the Local Agency Formation Commission of Napa County ("Commission") to retain an outside consultant to perform an audit on the agency's financial statements for each fiscal year completed. The purpose of the audit is for a third-party to assess the reliability of the financial statements by reviewing records and testing transactions to determine their compliance with generally accepted governmental accounting standards. The audit also provides an opportunity for the third-party to identify reporting errors and omissions as well as to make suggestions for improvements.

A. Discussion

In June 2010, the Commission authorized the Executive Officer to retain Galina, LLP to conduct an independent audit of the agency's financial statements for the 2009-2010 fiscal year. Galina completed its audit in November 2010 and found no material misstatements. The audit also found no instances of significant or unusual changes in reporting practices and does not include any suggestions for improvements. A copy of Galina's audit is attached.

B. Analysis

Galina's audit provides an unqualified opinion the Commission's financial statements for the 2009-2010 fiscal year are reliable representations of the agency's financial position as of June 30, 2010. This clean opinion indicates the Commission maintains an effective level of internal control in managing its financial records and transactions which helps to ensure maximum accountability with respect to the agency's use of public funds.

An attached chart depicts changes in the Commission's audited fund balance since becoming a separate legal entity from the County of Napa beginning in 2001-2002.

Juliana Inman, Chair
Councilmember, City of Napa

Lewis Chilton, Commissioner
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner
Councilmember, City of American Canyon

Bill Dodd, Vice Chair
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Keene Simonds
Executive Officer

C. Recommendation

It is recommended the Commission take the following action:

- 1) Receive and file the attached “Audit Report for the Year Ending on June 30, 2010” prepared by Galina.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachments:

- ~~1) 2009-2010 Audit Report, Prepared by Galina, LLP~~
- ~~2) LAFCO Financial Summary Chart Since 2001-2002, Prepared by Auditor's Office~~



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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Joan Bennett, Alternate Commissioner
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County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner
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.¹ 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.

¹ 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.

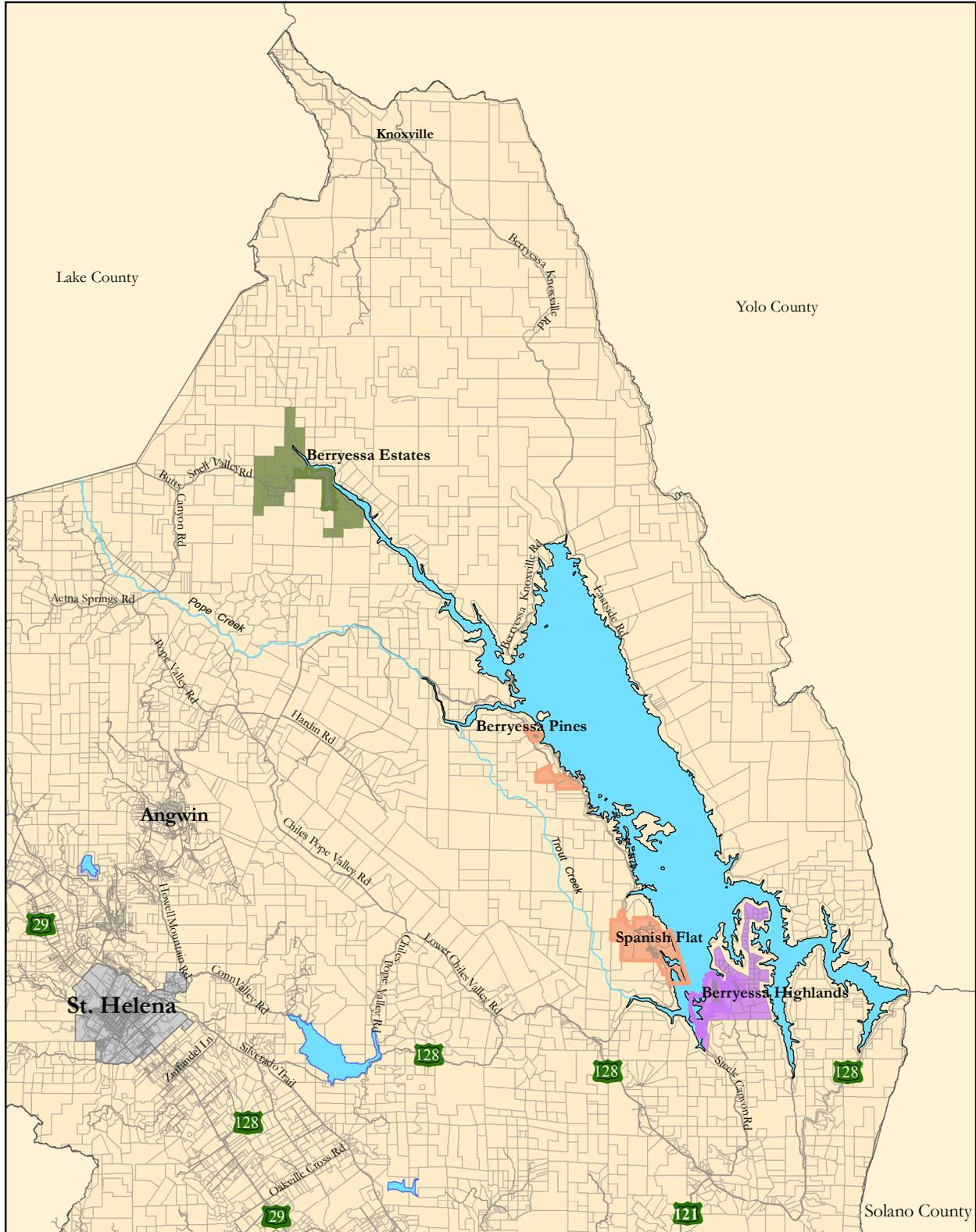
B. Commission Review

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



LAFCO of Napa County
 1700 Second Street, Suite 268
 Napa, California 94559
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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.¹

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, 2010.² 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.

¹ 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.

² 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.³ 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.

³ 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.⁴ 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.

Summary Timeline	
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.⁵

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.⁶ There have been no changes to the jurisdictional boundary since formation.

⁴ 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.

⁵ 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.

⁶ 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 483.⁷ 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 21.⁸ 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.⁹ 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.

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

⁸ 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.

⁹ 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.¹⁰ 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.”¹¹ 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.¹² 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.

¹⁰ 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.

¹¹ There are a total of seven resort improvement districts operating in California.

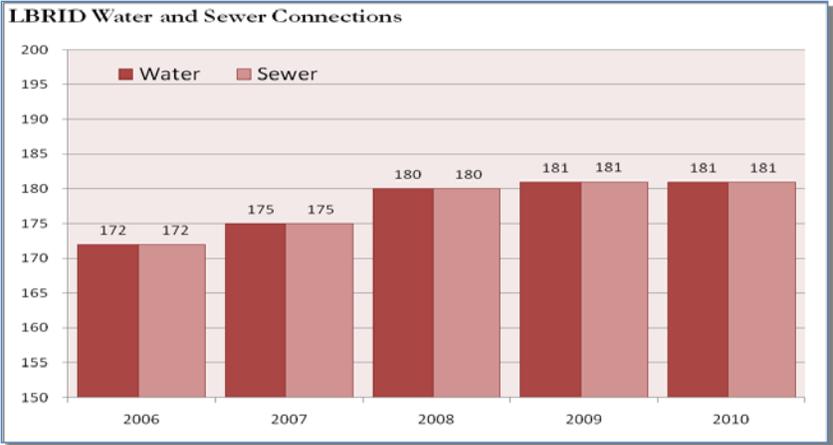
¹² The Board of Supervisors may delegate governance authority of LBRID to a five-member board of directors, four of which shall be elected from the District and the fifth shall be the supervisor representing the area.

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.¹³ The full delivery of the entitlement is considered entirely reliable given the



¹³ Pump capacity is based on a manufacture rating of 250 gallons per minute.

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

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 2006.¹⁶ 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 1st*

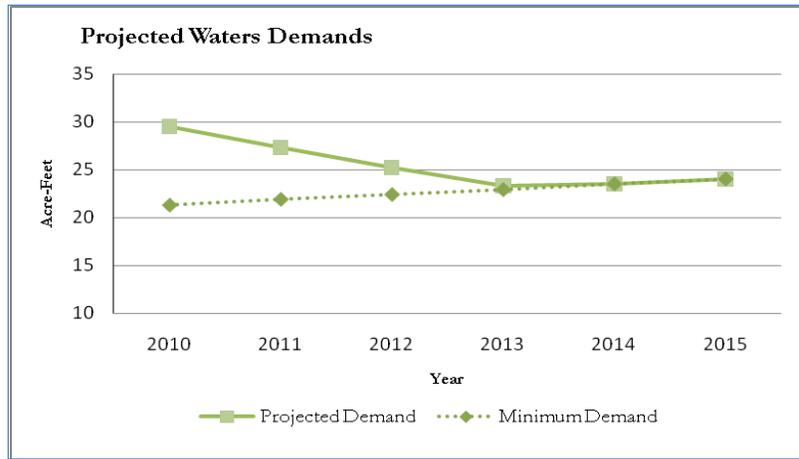
Projecting future water demands within LBRID is challenging given the current contrast in which usage has decreased despite an overall increase in population. Given this contrast, it is reasonable to assume future water demands will continue to decrease yearly by 7.6% consistent with the recent average annual decline until reaching a minimum threshold sufficient to provide 100 daily gallons to each developed lot.¹⁷ 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.

¹⁴ 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.

¹⁵ 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.)

¹⁶ 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.

¹⁷ 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.¹⁸ 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

¹⁸ 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.¹⁹ 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.

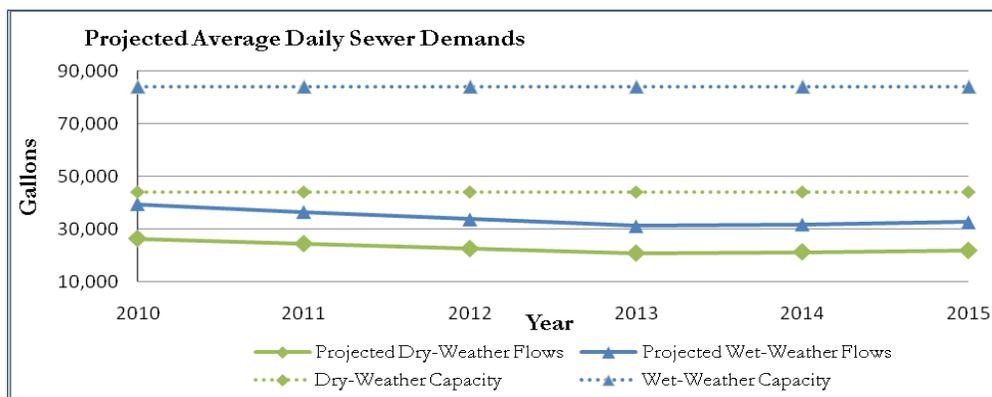
¹⁹ LBRID reports it has the temporary capacity to accommodate up to 190,000 gallons of sewer flows during peak day wet-weather conditions by utilizing a series of pumps to convey flows from various holding/storage ponds.

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.²⁰ Assets classified as non-current represented the remaining amount with the largest portion associated with depreciable structures.²¹

Category	2005-06	2006-07	2007-08	2008-09	2009-10
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.²² The remaining non-current liability amount is the result of LBRID's stipulated judgment in favor of RWQCB for previous sewage spills.²³

Category	2005-06	2006-07	2007-08	2008-09	2009-10
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.

Category	2005-06	2006-07	2007-08	2008-09	2009-10
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
Unrestricted Funds	0.140	0.527	(0.329)	(0.567)	(0.725)
Total Equity	\$0.912	\$1.248	\$1.422	\$1.093	\$1.589
Change	(\$0.203)	\$0.336	\$0.174	(\$0.330)	\$0.496

²⁰ 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).

²¹ 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).

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

²³ 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.²⁴ 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.²⁵ LBRID also finished the fiscal year with a negative operating margin as expenses exceeded revenues by one-half.²⁶ 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.

Fund Category	2005-06	2006-07	2007-08	2008-09	2009-10
Operations					
Revenues	658,117	543,516	446,722	517,297	566,054
Expenses	(886,976)	(642,667)	(662,455)	(692,589)	(859,276)
Non-Operations					
Revenues	25,707	49,355	227,849	140,620	79,962
Expenses	0	0	(182,575)	(266,798)	(272,779)
Special Items					
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

²⁴ 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.

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

²⁶ 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.²⁷ A \$0.09 million loan from the County is also budgeted.

2010-11 Adopted Operations	
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, 2010.²⁸

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.

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

²⁸ 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.¹

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).² 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.

Napa Berryessa RID	
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.

¹ 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.

² 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.³ (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.

³ 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.⁴ 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.

⁴ 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.⁵ 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.

Residential Development	
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

⁵ 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)

Population	2006	2007	2008	2009	2010
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.⁶ 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.⁷ 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)

Category	2011	2012	2013	2014	2015
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.

⁶ 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.

⁷ 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.⁸ 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.⁹ 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.

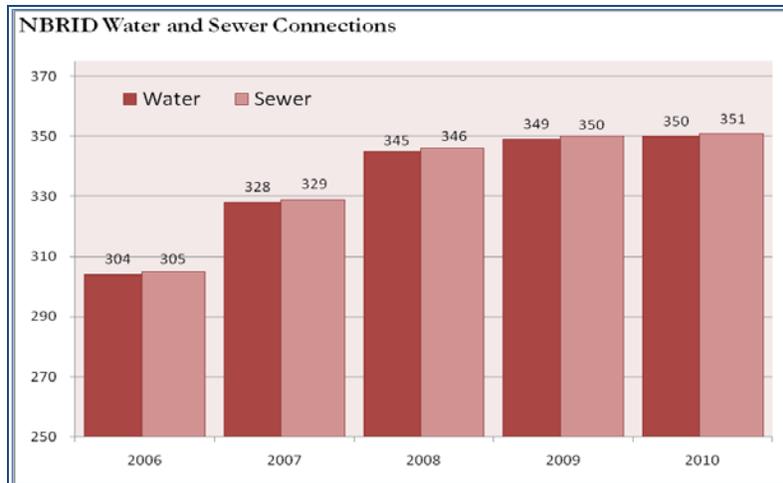
6.0 Municipal Services

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.¹⁰ 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.

⁸ There are a total of seven resort improvement districts operating in California.

⁹ 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.

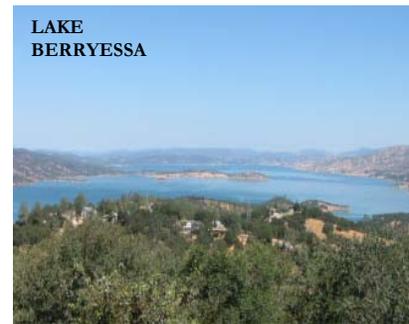
¹⁰ The additional sewer connection involves *****.



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.¹¹

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.

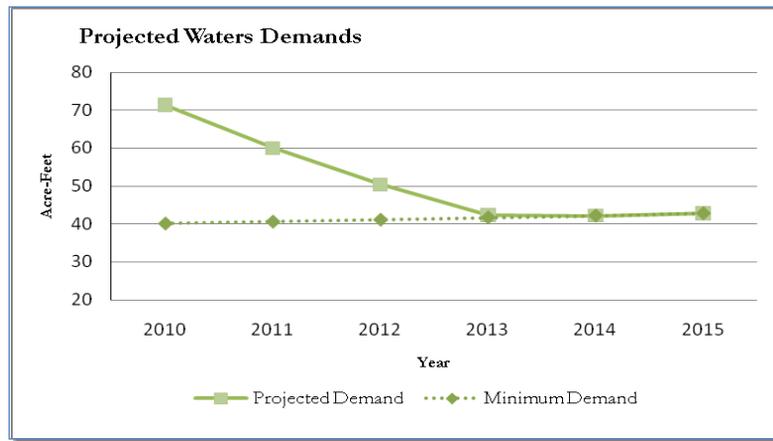
In terms of user trends, NBRID has experienced over a two-thirds decline in annual water demands over the last five years. This decrease is principally attributed to the closure of Steele Park Resort in May 2008 and water conservation resulting from user charge increases. In particular, user charges 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.

¹¹ 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.¹² 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.

¹² 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

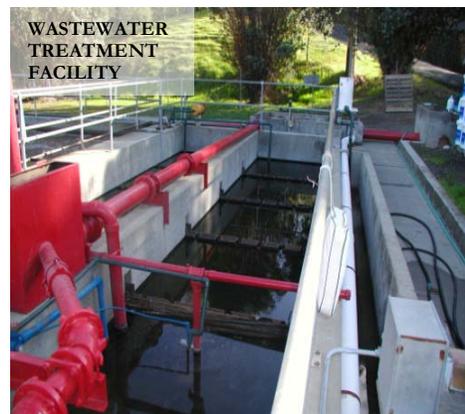
In terms of sufficiency, as reflected in the above chart, current treatment and storage capacities within the distribution system’s interconnected pressure zones are adequate with respect to accommodating current average and peak day demands. Expanding storage capacity appears most pressing with respect 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.

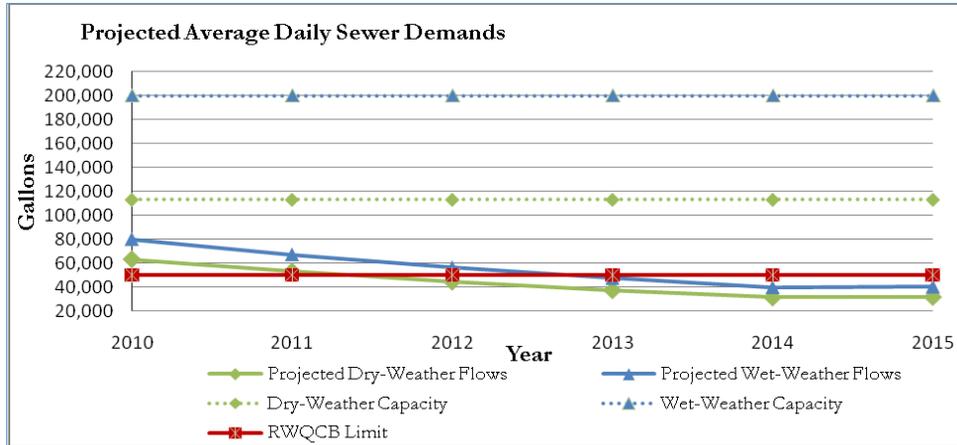
NBRID's wastewater storage and discharge capacities are insufficient to meet current flow demands. These insufficiencies are attributed to excessive inflow/infiltration along with drainage deficiencies at the sprayfield site causing uncontrolled runoff. These factors have directly resulted in a series 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.¹³ Assets classified as non-current represented the remaining amount with the largest portion associated with depreciable structures.¹⁴

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.

¹³ 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).

¹⁴ 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
Unrestricted Funds	0.253	0.085	(0.428)	(0.433)	(0.581)
Total Equity	\$0.865	\$0.664	\$0.125	\$0.081	(\$0.094)
Change	(\$0.008)	(\$0.201)	(\$0.539)	(\$0.043)	(\$0.175)

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.¹⁵ 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.

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

Fund Category	2005-06	2006-07	2007-08	2008-09	2009-10
Operations					
Revenues	676,043	389,059	627,018	619,520	519,467
Expenses	(709,907)	(657,015)	(1,232,966)	(725,094)	(758,134)
Non-Operations					
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

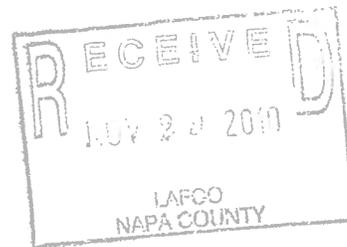
NBRID's operations budget unit supports basic District water and sewer activities. Approved expenses total \$1.49 million with 55% of the apportionment dedicated to services and supplies with the majority of costs tied to performing general maintenance and repair for the water and sewer systems. Approved 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.

2010-11 Adopted Operations	
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

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.

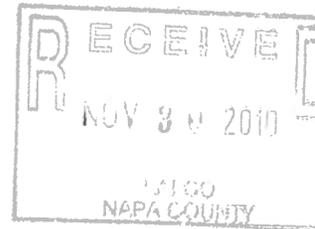
Sincerely,

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