

10. CONGRESS VALLEY WATER DISTRICT

AGENCY OVERVIEW

Congress Valley Water District Profile			
Contact Information			
<i>Contact:</i>	Kiersten Bjorkman, District Secretary		
<i>Address:</i>	Napa County Land Trust 1700 Soscol Avenue, #20 Napa, CA 94559	<i>Website:</i>	None
<i>Phone:</i>	707-256-0344	<i>Email:</i>	kierstenlarae@yahoo.com
Formation Information			
<i>Date of Formation:</i>	1949	<i>Agency type:</i>	Independent special district
Governing Body			
<i>Governing Body:</i>	Board of Directors	<i>Members:</i>	5
<i>Manner of Selection:</i>	Elected at large by registered voters	<i>Length of term:</i>	4 years
<i>Meetings Location:</i>	Napa County Land Trust 1700 Soscol Avenue, #20 Napa, CA 94559	<i>Meeting date:</i>	Second Monday of every month at 5:30 pm
Mapping and Population			
<i>GIS Date:</i>	2019	<i>Population (2019):</i>	262 ⁶⁵⁴
Purpose			
<i>Enabling Legislation:</i>	CA Water Code §30000 (County Water District Act)	<i>Empowered Services:</i>	Domestic water (active) Sewage collection/disposal, fire protection, EMS, storm drainage, reclamation, hydroelectric power generation/transmission (latent)
<i>Municipal Services Provided (directly or by contract)</i>	Agricultural and residential water distribution		
Area Served			
<i>Boundary Size:</i>	2.18 square miles	<i>Location:</i>	Southwest of the City of Napa
<i>Current SOI:</i>	2.45 square miles	<i>Most recent SOI update:</i>	2017 ⁶⁵⁵

⁶⁵⁴ LAFCO estimate based on 104 households (as reported by Napa County Planning) at an average household size of 2.52 persons per household.

⁶⁵⁵ Resolution 2017-06.

Municipal Service Reviews	
<i>Past MSRs:</i>	2017 Congress Valley MSR and SOI Update 2014 Central County Region MSR 2004 Comprehensive Water Service Study

Boundaries

Congress Valley Water District’s (CVWD) boundaries include the District’s agricultural and rural residential uses to the immediate south and west of the City of Napa. CVWD’s jurisdictional boundary is 2.2 square miles or 1,398 acres in size and includes 113 total assessor parcels. The Commission has approved only one boundary change to CVWD since 1963 involving the addition of 11.5 unincorporated acres; an amount representing less than one percent of the current jurisdictional boundary. This lone annexation occurred in 2010 and involved a developed lot located off of Old Sonoma Road. CVWD’s jurisdictional boundary, sphere of influence, and Water Supply Contract service area are depicted in Figure 10-1.

Sphere of Influence

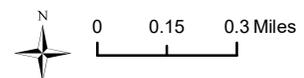
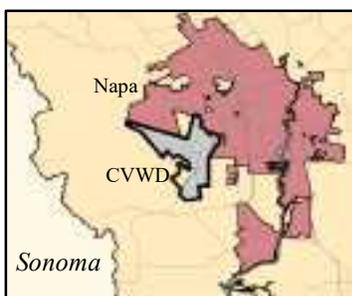
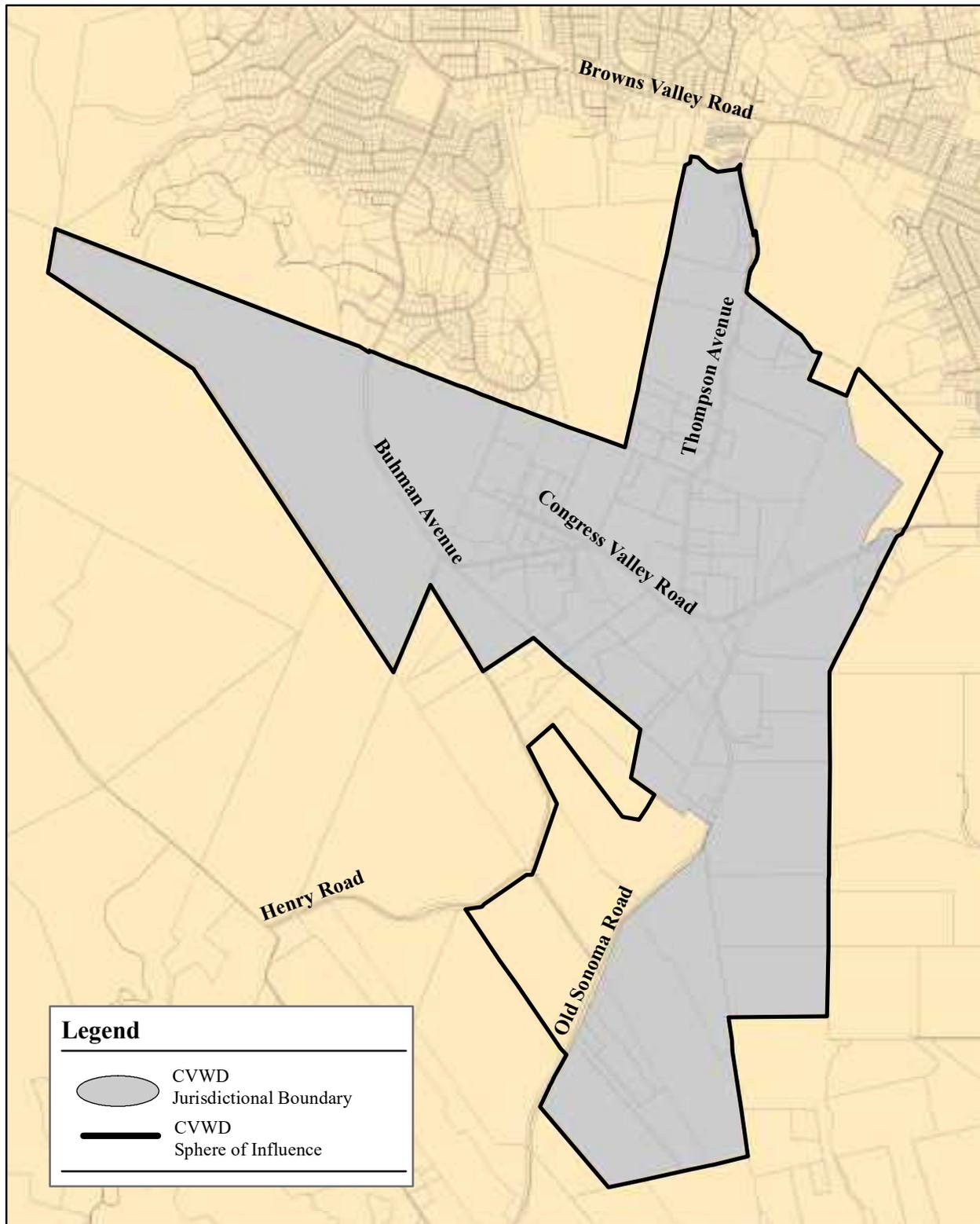
CVWD’s sphere was adopted by the Commission in 1985 and comprehensively updated in 2008. CVWD’s SOI was most recently updated in 2017, when 10.6 acres, that were previously erroneously presumed to be within the District’s boundaries, were removed.⁶⁵⁶ The District’s current SOI is 2.45 square miles consisting of the entirety of CVWD’s boundary territory and four parcels outside of the District’s bounds that are eligible for annexation. A more detailed background on CVWD’s SOI is found in its most recent *2017 Congress Valley MSR and SOI Update*.

Water Contract Area

The primary function of CVWD, and the cause for its formation over half a century ago, was to provide water service to an area of known groundwater deficiency. The Water Supply Contract between the City of Napa and CVWD, developed in the late 1980’s, provided water supply availability for the area envisioned by the then Board of Directors of the CVWD. The resulting Water Supply Contract service area was established as part of CVWD’s Water Supply Contract with the City and is distinct from the District’s jurisdictional boundary and SOI. The contract service area presently encompasses 2.5 square miles or 1,620 acres and includes 124 total assessor parcels. Of this amount, there are a total of nine parcels located near Buhman Avenue that are currently outside CVWD’s boundary and sphere. However, these nine parcels are ineligible for annexation given that they are located outside CVWD’s SOI. Further, there are two entire parcels and a portion of a third parcel collectively totaling 92.8 acres currently within the sphere that are located outside the contract service area; all of which were added to the sphere as part of the comprehensive update in 2008. There have been no changes to the service area since it was originally included in the Water Supply Contract.

⁶⁵⁶ LAFCO Resolution 2017-06.

Figure 10-1 Congress Valley Water District (CVWD)



December 11, 2019
Prepared by LAFCO Staff



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ACCOUNTABILITY AND GOVERNANCE

The District is governed by a five-member Board of Directors elected to staggered four-year terms by registered voters within the district boundaries. Board Members may be appointed by the Napa County Board of Supervisors in lieu of election if there are insufficient candidates to require an election.

Regularly scheduled meetings are held on Second Monday of every month at 5:30 pm. Meetings are located in the Napa County Land Trust at 1700 Soscol Avenue, #20 in Napa. Agendas are distributed via email and postal mail.

In the 2017 MSR on CVWD it was recommended that CVWD consider developing a website that would include meeting agendas, minutes, Board of Directors information, Board meeting details, annual budgets, and basic financial statements. CVWD has not compiled a website to date, but instead has adopted a resolution⁶⁵⁷ declaring a hardship preventing the establishment and maintenance of a district website as required by law.

The Special District Transparency Act (SB 929) signed into law in 2018 requires special districts in California to have websites be set up by January 1, 2020 and holds special districts accountable to the Brown Act, which mandates transparency. As mentioned, in September 2019, CVWD adopted a resolution⁶⁵⁸ declaring a hardship preventing the establishment and maintenance of a district website, and consequently has concluded that it is in compliance with the requirements of SB 929. It is recommended that the District ascertain the cost of creating a website and maintaining and reassess its finding of hardship, given the substantial reserves that the District has been able to accumulate as reported in the *Financial Ability to Provide Services* section.

CVWD demonstrated accountability and transparency in its disclosure of information and cooperation with Napa LAFCO. The District cooperated with the requests for information, interviews, and document review.

GROWTH AND POPULATION PROJECTIONS

CVWD's current resident population is estimated at 262 based on the 104 residential units within the District coupled with household population data published by the California Department of Finance for unincorporated Napa County of 2.52 persons.

The overall resident population within CVWD has risen by 11.5 percent over the last 10 years, representing an annual 1.09 percent population increase.

Land located within the District is subject to the land-use authority of the County of Napa. Current land uses within CVWD include agriculture (i.e. pasture and vineyards), single-family residences, and wineries. The County of Napa has designated all lands within CVWD's boundary, sphere, and Water Supply Contract service area as agriculture, watershed, and open space, which requires a minimum parcel size of 160 acres. Further, the County has assigned an agricultural watershed zoning within the entire area. Notable land use allowances based on these land use regulations without requiring a permit from the County include the following:

⁶⁵⁷ CVWD Resolution No. 68.

⁶⁵⁸ CVWD Resolution No. 68.

- ❖ Agriculture,
- ❖ One single-family dwelling unit per legal lot,
- ❖ One second unit either attached to, or detached from, an existing legal residential dwelling unit,
- ❖ One guest cottage, and
- ❖ Wineries and related accessory uses and structures, which legally existed prior to July 31, 1974.

While there are some parcels within CVWD that do not currently contain developed housing units, there are not a significant number of such undeveloped parcels. With this in mind, in combination with the restrictive land uses in the area, it is reasonable to assume CVWD's resident population growth rate over the foreseeable future will remain low and not significantly impact the District's demand for water.

The Association of Bay Area Governments (ABAG) projects that population of unincorporated Napa County and the entire County as a whole will grow by about six percent from 2020 to 2030. The California Department of Finance (DOF) has similar projections for Napa County. Thus, the average annual population growth in the unincorporated areas as well as Napa County as a whole is anticipated to be approximately 0.6 percent. Based on these projections, the District's population would increase from 262 in 2019 to 280 in 2030.

Napa LAFCO has developed its own population projections, since ABAG estimates are often higher than actual trends. To project future growth, LAFCO calculated the annual percentage change between 2012 and 2017 based on DOF population estimates for these years.⁶⁵⁹ Population growth was then projected in five-year increments through 2030. According to LAFCO's projections, the population of unincorporated Napa County is expected to grow by about 0.21 percent a year. LAFCO projects that CVWD will grow from 262 people in 2019 to 265 residents in 2025 and to 268 people in 2030.

DISADVANTAGED UNINCORPORATED COMMUNITIES

LAFCO is required to evaluate disadvantaged unincorporated communities as part of this service review, including the location and characteristics of any such communities. CVWD is not considered a DUC.

According to Napa LAFCO's definition of DUCs, there are currently no disadvantaged unincorporated communities in Napa County. Based on the adopted policy, the Commission annually reviews Census Bureau American Community Survey data to determine if local and/or statewide median household income levels have changed.⁶⁶⁰

FINANCIAL ABILITY TO PROVIDE SERVICES

The Congress Valley Water District provides water services. Customers are billed directly by the City of Napa, which also provides all operation and maintenance services required by

⁶⁵⁹ The change in population, especially unincorporated area, between 2017-2018 was significant due to the wildfires and loss of homes. Therefore, LAFCO used the timeframe from 2012 to 2017.

⁶⁶⁰ Napa Local Agency Formation Commission, Policy on Disadvantaged Unincorporated Communities, 2018.

the system. The District receives a 12.2 percent share⁶⁶¹ of the Prop. 13 1% property tax which funds board expenses, legal and financial services.

Figure 10-3: Summary of Selected Financial Information, Congress Valley Water District

Congress Valley Water District - Water Operations	
FY18-19 Water Budget Net	-\$39,000
<i>Revenues</i>	\$95,000
<i>Expenditures</i>	\$134,000
Ending Fund Balance as % of Operating Revenues	725%
<i>Ending Fund Balance</i>	\$689,000
Debt Service as a % of Operating Revenues	0.0%
<i>Total Debt Outstanding</i>	\$0
Monthly Water Rates as a % of Household Income	1.0%
<i>Typical Monthly Rate</i>	\$68
<i>Median Household Income (2017)</i>	\$79,600
Pension+OPEB Total Payments % of Revenues	N/A

2019-09-17

Balanced Budget

A balanced budget requires that an agency have sufficient funds to pay for its expenditures. For any agency, recurring operating deficits are a warning sign. In the short-term, reserves can backfill deficits and maintain services. However ongoing deficits eventually will deplete reserves.

The District's budget shows expenditures exceeding revenues in FY19 fiscal year. The FY19 budget's expenditures of \$133,600 exceed revenues by about \$40,000 (before adding depreciation expense); the shortfall, due to ratepayer assistance, was funded by reserves.⁶⁶² However, in the prior year, the FY18 financial report showed a positive annual balance, with revenues exceeding expenditures by about \$53,000.

The District, because the City of Napa collects and retains all rate revenues to pay for operations and maintenance of the District's system, only reports connection charges as operating revenue (no connection charges were anticipated in FY19). The District's expenses, which include board expenses, legal and financial services, are funded by the District's share of property taxes.

Reserves and Fund Balance

Reserves, including Fund Balances, provide cushions for contingencies and capital needs.

The District does not report a "fund balance" in its budget materials; however, its FY18 financial report indicates a cash balance of \$880,000 and unrestricted net position of

⁶⁶¹ County of Napa AB8 TRA – Fund Increment Factors FY18, Tax Code 37000.

⁶⁶² Congress Valley Water District Fund 7400 Preliminary Budget Request for Fiscal Year 2018-2019.

\$730,000.⁶⁶³ An FY19 budget shortfall of \$40,000 would reduce the net position to about \$710,000. This level of reserve is more than adequate relative to the District's expenditures before considering any capital investments or reserves.

Net Position

A positive Net Position provides an indicator of financial soundness over the long-term. The District's total net position is \$1.1 million of which \$730,000 is unrestricted.

Rates and Charges

Water operations and maintenance, handled by the City of Napa, are funded by service charges. Rates typically are expected to not exceed 2-2.5 percent of household income.⁶⁶⁴ Rates charged to District customers are the "Outside of City" quantity rates charged by the City of Napa, which are about 44 percent greater than rates inside the City. The typical monthly bill equals about one percent of median household income.⁶⁶⁵

In addition to paying water rates, a share of 1 percent Prop. 13 property taxes paid by District customers goes directly to the District. As described above in the "Operating Budget" section, property taxes pay for the District's board expenses, legal and financial services.

The City of Napa collects water connection fees and transfers them to the District to pay for system improvements required to serve new development.⁶⁶⁶

The City of Napa offers its low-income 'RateShare' program providing a \$25 discount on bimonthly water bills for customers outside the City which would include District customers.⁶⁶⁷

Long-term Debt

The District' FY19 budget includes no debt service payments. The prior year financial reports indicate that the District's \$400,000 1987 loan from the State of California Department of Water Resources would be retired within one year.⁶⁶⁸

Pension and OPEB Liabilities

The District has no pension or OPEB liabilities according to its FY18 financial report.

⁶⁶³ Congress Valley Water District Basic Financial Statements for the Fiscal Years Ended June 30, 2018 and 2017, Statement of Net Position, pg. 4.

⁶⁶⁴ Teodoro, et al, (2018) cite USEPA's *Financial Capability Guidebook* (USEPA 1984) as original source for the use of personal income as a measure, although it was not applied to rates in the 1984 document.

⁶⁶⁵ Based on median household income for unincorporated Napa County of \$79,637 according to the American Community Survey 2017, DP03, 5-Year estimates. See appendix for detailed estimate of typical household charges.

⁶⁶⁶ See the City of Napa Water Service Fees, FY2018-19.

⁶⁶⁷ City of Napa RateShare Program (downloaded from City website); comments from City of Napa, 3/6/2020.

⁶⁶⁸ Congress Valley Water District Basic Financial Statements for the Fiscal Years Ended June 30, 2018 and 2017, Note 4, pg. 14.

Capital Assets

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technical changes.

The value of the District's depreciable capital assets decreased by about nine percent from FY17 to FY18.⁶⁶⁹ The Districts FY18 audited financial report indicates no capital additions to the water system.

The District does not have a Capital Improvement Plan, nor is the system included in any of the expenditures plans by the City of Napa, which is responsible for maintaining the District's system.

Financial Planning and Reporting

Achieving transparency and public accountability standards dictates that cities and agencies provide easily accessible and clear documentation of their activities, including financial information.

Website – The District has no website, but expects to have one in place by “the fall of 2020.”⁶⁷⁰

Annual Financial Reports – The District prepares biennial audited financial reports.

Capital Improvement Program – The District does not have a Capital Improvement Plan, nor is the system included in capital plans of the City of Napa, which is responsible for maintaining the District's system. CVWD reports that it is “actively engaged with consultants and engineers to identify additional capital outlays...”⁶⁷¹

Financial Forecasts – The District does not prepare financial forecasts beyond its annual budget.

Other Financial Planning – The District has not prepared any other system assessments, costs of service, or other plans or analysis.

⁶⁶⁹ Congress Valley County Water District Basic Financial Statements for the Fiscal Years Ended June 30, 2018 and 2017, Note 3, pg. 14.

⁶⁷⁰ Comments on Draft MSR – CVWD, July 15, 2020.

⁶⁷¹ Comments on Draft MSR – CVWD, July 15, 2020.

WATER SERVICES

CVWD provides one active service at this time—domestic water service. CVWD has not developed a planning document, such as a master plan, to guide provision of water services.

Type and Extent of Services

Services Provided

CVWD provides all potable water services by way of a contract arrangement with the City of Napa for water supplies and delivery.

CVWD retains ownership of the distribution system and collects a share of the property tax, which covers board expenses, legal and financial services. The district is also able to offset a portion of the City's rates for CVWD residents by paying the difference between the resident rates charged by the City and the non-resident rates charged to connections outside of the city limits.

Service Area

As mentioned, the District's service area is defined in its contract with the City of Napa as the Water Service Agreement service area. The contract service area presently encompasses 2.5 square miles or 1,620 acres and includes 124 total assessor parcels. Of the parcels in the service area, 99 are served by the District's water system.

Services to Other Agencies

The District does not provide services to other agencies.

Contracts for Services

CVWD contracts with the City of Napa to supply water and maintain its system. At present, the City provides 100 percent of CVWD's water supply and is responsible for the complete operation, maintenance, and eventual replacement of the distribution system, as well as direct billing to CVWD customers. Given that the City provides all services to the community, previous MSRs have identified the potential for the district to be dissolved and services continued by the City. The original agreement was set to expire in 2017; however, their current agreement was recently extended to 2022 in order to establish a water service transition plan.

Overlapping Service Providers

While City of Napa provides services within CVWD's boundaries, the two agencies do not overlap jurisdictions and coordinate through a defined contract. There is no duplication of services; however, there is certainly potential for greater efficiency of service structure and elimination of duplication of overhead costs, as two separate agencies are not required to offer the current level of services. It was recommended in the 2017 MSR that the potential for reorganization of CVWD with the City of Napa be assessed and a transition plan finalized in 2020 prior to the sunset of Government Code §56133.5 on January 1, 2021. This is discussed in greater depth in *Governance Structure Options* within this chapter.

There are two other public agencies empowered to provide water service whose jurisdictions overlap that of CVWD: the Napa County Flood Control and Water Conservation District and Napa County Resource Conservation District. Both of these agencies have elected not to offer water service and have expressed no intentions of doing so in the foreseeable future.

Collaboration

CVWD collaborates with the City of Napa via its contract service arrangement. The two agencies maintain a good working relationship; however, improvements could be made by initiating a regular reporting structure to keep the District informed.

Staffing

CVWD appoints an at-will and part-time District Secretary to oversee all agency activities, including providing accounting services and coordinating service requests with the City of Napa. The current District Secretary operates out of a home office. Legal services are provided by Coombs and Dunlap, LLP.

Water Supply

CVWD's water supply is entirely generated from the supply of the City of Napa. CVWD has not developed any supply of its own. Pursuant to its Water Supply Contract with Napa, the District is annually allocated 100 acre-feet of potable water. There are no limitations or constraints placed on the allocated water supply in drought years. Napa's water supply is commingled between three sources: Lake Hennessey, Milliken Reservoir, and the State Water Project. The water supplied is limited to domestic, agricultural, and winery purposes only.

Emergency Preparedness

The District does not have interties with other agencies should it experience an outage or interruption in service from the City of Napa. Additionally, there are no water storage facilities within the District's system to aid in weathering an outage.

Water Demand

CVWD currently provides water service to 99 total connections. Of this amount, 92 connections are residential, and seven connections are agricultural. CVWD reports its current total water demand for the last completed calendar year was 65.1 acre-feet. Over the period 2014 to 2017, the District had experienced a general decrease in water demand attributable to the City's water conservation and rebate programs that are also directly applicable to CVWD customers. However, in 2018, there was a significant increase in demand in the District. This amount marks an 8.7 acre-foot increase in annual demand over the last five years, reflecting the "drought rebound" exhibited by other City of Napa customers. The following table summarizes recent trends in water demands over the last five years.

Figure 10-4: Demand for Potable Water, 2015-2018 (acre-feet)

Demand for Potable Water					
	2014	2015	2016	2017	2018
Volume Delivered	56.4	46.3	42.4	49.3	65.1

Source: City of Napa, Request for Information.

With respect to projecting future demands, and based on the preceding growth projection analysis, it is reasonable to assume that growth in demand for water will mirror population growth projections. The projections assume a conservative growth rate of 0.21 percent annually through 2030, based on historical growth trends in unincorporated Napa. The projections directly correspond with the amount of new permanent resident population growth anticipated within CVWD. Based on these assumptions, it is projected that the District will use 65.92-acre-feet of water in 2025 and 66.62 acre-feet in 2030, which would make use of almost 67 percent of the available contract water supply from the City.

Water Infrastructure and Facilities

Treatment

CVWD does not own, lease, or operate treatment facilities. Water delivered to CVWD is treated by the City. The City provides treatment of raw water drawn from its three surface sources at separate facilities; all of which are entirely owned and operated by the City and connected through a common distribution system. The three water treatment plants' combined maximum daily output totals 44 million gallons or 135 acre-feet.

Distribution

CVWD's distribution system receives and delivers potable water generated from the City's distribution system. CVWD's water distribution system has been improved to the City of Napa's standards in recent years. CVWD's system consists of 8- to 12-inch water lines that are served by three connection points to the City's water distribution system at Old Sonoma Road, Thompson Road, and Stonebridge Drive/Sunset Road. CVWD is located within Napa's "Browns Valley-Zone Four" in which water supply and pressure is served by the City's 1.0-million-gallon storage capacity B-Tank. The capacity of the distribution system has been sufficient to provide services and has no known capacity concerns.

Water loss, specifically the amount of water lost due to system breaks and leaks, as well as illegal connections, is a measure of the water system's integrity. Water losses can include "real losses", which are physical losses from the water distribution system and the supplier's storage facilities, as well as "apparent losses", which represent losses due to metering inaccuracies, data handling errors and/or unauthorized consumption. The City's 2018 AWWA Water Audit shows that losses represented five percent of overall demand. The Infrastructure Leakage Index (ILI) was just 1.02, the ratio of real losses to unavoidable real losses. Both measures were historically on the low side for the city system, which has ranged up to nine percent loss and 2.14 ILI. Water loss calculations specific to CVWD's distribution system were not available.

Breaks and leaks in the mains and service connections account for some of the loss experienced in the system. The City of Napa was not able to provide the number of breaks and leaks specific to the CVWD system.

Shared Facilities

CVWD relies upon shared facilities with the City of Napa for water conveyance to the District's boundaries. Additionally, the contract service structure allows for resource sharing as the City operates and maintains the Districts' distribution system.

Infrastructure Needs

The City is responsible for planning for the capital improvement needs of the District's distribution system; however, as mentioned the system is not included in capital plans of the City of Napa. It is recommended that CVWD and the City ensure that the capital needs of the distribution system are planned for in appropriate capital planning documents. CVWD reports that it is "actively engaged with consultants and engineers to identify additional capital outlays..."⁶⁷²

No particular infrastructure needs were identified over the course of this review.

Water Quality

For information on the City of Napa water quality for source and treated water, refer to the City of Napa Chapter *Water Quality* section.

⁶⁷² Comments on Draft MSR – CVWD, July 15, 2020.

GOVERNANCE STRUCTURE OPTIONS

Over the course of this review, several governance structure options were identified with respect to the Congress Valley Water District and its water services, including possible service structure modifications and reorganizations with other agencies. The feasibility of each of these options is generally assessed here; however, more in-depth review would be required to refine specifics of process and structure should the affected agencies or LAFCO choose to move forward.

Reorganization of Congress Valley Water District

Given that the City of Napa provides almost all services to the customers within CVWD's boundaries, which in essence is a "functional consolidation," there is potential to streamline the service structure by eliminating a level of administration. While there is no duplication of services offered, there is certainly potential for greater efficiency of service structure and elimination of duplicative overhead costs, as two separate agencies are not needed to offer the current level of services. The potential for changing the service structure in the Congress Valley area was outlined in the First Amendment (2017) to CVWD's Water Supply Contract with the City of Napa. The amendment required that CVWD, the City of Napa, the County of Napa, and LAFCO should convene no later than 2020 for the purpose of determining the appropriate long-term service arrangement for the Congress Valley community, including determining whether it would be appropriate for CVWD to initiate dissolution proceedings and transition formal service responsibility to the City of Napa. The long-term service arrangement should be formalized no later than July 1, 2022 according to the agreement.

At present, the City provides 100 percent of CVWD's water supply and is responsible for the complete operation, maintenance, and eventual replacement of the distribution system, as well as direct billing to CVWD customers.

CVWD retains ownership of the distribution system and collects a share of the property tax, which covers board expenses, legal and financial services. The district is also able to offset a portion of the City's rates for CVWD residents by paying the difference between the resident rates charged by the City and the non-resident rates charged to connections outside of the city limits. The District maintains a part-time District Secretary to oversee all agency activities, including providing accounting services and coordinating service requests with the City of Napa. At present, CVWD does not have a plan to expand services offered.

CVWD contends that it plays an important role in the provision of water to its landowners and that dissolution would not advance efficient service provision nor serve the best interest of its constituents based on 1) its authority to manage water in its boundaries thereby providing a voice for district landowners in water management issues, 2) its efforts to act as a responsible steward of its resources and exercising appropriate oversight over billing and financial operations in the best interest of residents, and 3) its efforts in actively identifying capital outlays beyond city-planned improvements.

Following the release of this report, in August 2020, the Napa City Council directed staff to negotiate an agreement with CVWD for continued services similar to the existing service structure. It is likely that this service structure will continue at least until the expiration of the negotiated contract.

However, there continue to be several governance structure options available as CVWD moves forward with considering its long-term service arrangement, including the following:

- 1) Maintaining the status quo,
- 2) Expansion of the City's SOI and annexation of CVWD territory,
- 3) Formation of a subsidiary district of the City of Napa,
- 4) Transition to a county service area, and
- 5) Dissolution of CVWD and continued service by City of Napa.

Status Quo

One option is continued existence of CVWD as it is currently operated and governed. This option assumes that the City of Napa is willing to continue offering water supply and operational services beyond the agreed upon contract expiration date of July 1, 2022. The City has not indicated if it would be willing to continue services in the long term without follow through on the terms of the First Amendment to the original agreement between the two agencies.

However, this option does not address the issues that have compelled consideration of governance structure options for CVWD, including duplication of administration efforts and costs, as well as continued existence of a surplus governance layer with marginal utility. If CVWD desires to continue providing services as it is presently, it is recommended that it demonstrate its value added in a long-term plan for services.

Expansion of the City's SOI and Annexation of CVWD Territory

Among the purposes of LAFCO is encouraging logical boundaries and promoting efficient delivery of services. Logical boundaries generally entail orderly organization of districts and cities with boundaries that encompass their respective service areas and do not create irregularities, such as islands or division of communities. Logical boundaries promote efficient delivery of services by eliminating overlap of boundaries and consequently minimizing the potential for duplication of services. Ideally, orderly development of local agencies streamlines service structure and reduces the need for multiple agencies providing similar services.

In the case of CVWD, the City is immediately adjacent to the community in question. Based on LAFCO's purpose, the ideal service structure would be an amendment to the City's SOI to include the area already served by the City and a subsequent annexation of the territory in question. CVWD would then be dissolved. This option 1) meets the needs of the agency service agreement, 2) aligns with LAFCO's aforementioned responsibilities by promoting logical boundaries and efficiency of services, 3) allows for continued service by a professional and well-managed agency, and 4) appropriately allows for representation of CVWD residents on the city council as the decision-making body affecting water services in the area.

However, CVWD's boundaries are located outside of the City's Rural Urban Limit (RUL) making this option infeasible in the short term. While the territory could be included in the City's SOI, it is not annexable unless the RUL is amended by voter approval and the City completes the LAFCO annexation process, including a tax sharing agreement with the

County. Consequently, it is determined that a sphere of influence change is not feasible in the short term as there is no potential for a correlating boundary change until the RUL is adjusted, which is part of a substantial process. Should the City decide to pursue this option, then it would need to conduct appropriate planning in its General Plan, work with the County to construct consensus, and apply to LAFCO to initiate the SOI change. Finally, the City would need to prepare a ballot measure to adjust the RUL to allow for annexation.

Formation of a Subsidiary District

A subsidiary district is a dependent district of a city, where the city council acts as the governing body of the district and the finances of the district are accounted for separately to prevent comingling of funds.

Formation of a subsidiary district mirrors the benefits of the SOI amendment and annexation option discussed previously. It 1) meets the needs of the agency service agreement, 2) aligns with LAFCO's aforementioned responsibilities by promoting logical boundaries and efficiency of services, and 3) allows for continued service by a professional and well-managed agency. This option does not, however, allow for representation of CVWD residents on the City Council.

Unfortunately, this option would require an involved process to meet State requirements for the formation of a subsidiary district. Government Code §57105 requires that 70 percent or more of the area of land within the subsidiary district be within the City and 70 percent or more of the number of registered voters who reside within the district must be within the City. In the case of CVWD, substantial City territory would first need to be annexed to the District in order to meet the 70 percent requirement, since presently the District is entirely outside of the City.

An alternative may be to include the entirety of the City's water service area within the boundaries of the district and then transition to the subsidiary district. In this case, the entirety of the District could be up to 26.29 square miles consisting of the entirety of the city limits (18.4 square miles) and up to 7.89 square miles outside of the city limits to meet the 70 percent requirement. In this scenario, the entirety of the City's water division would then be operated as a subsidiary district. This would allow for an organized structure for the 2,213 out of area service connections presently served by the City of Napa. But, once again, does not allow for representation of out of area residents on the City Council.

Formation of a County Service Area

Another option may be changing the structure of CVWD to a county service area (CSA), which is a dependent special district of the County. The County Board of Supervisors would act as the governing body for the District and provide all administration. This option assumes that the County would be willing to take on responsibility for the District's operations; however, the County has not yet indicated whether it would be agreeable to accepting this duty.

The benefits of this option include 1) continued existence of an entity that can contract with the City of Napa for services, if desired, 2) minimization of duplicative administrative costs as the County can capitalize on the administrative structure it already has in place, 3) residents can benefit from a professional entity with technical knowledge working on its

behalf to ensure adequate services, and 4) elimination of a surplus governance layer with marginal utility.

Conversely, transition to a CSA would not fully maximize efficiency for the customers as they would continue to receive services through a network of two agencies. Additionally, while administrative costs would be minimized, this option would not fully eliminate the duplication of administrative costs that would be experienced should CVWD be fully dissolved. Moreover, by the County Board of Supervisors acting as the governing body, the decision-making power would be removed from local trustees that represent the interests of the landowners within CVWD.

Should CVWD, the City of Napa, and the County agree that this option best fits the needs of the residents of the community, then an application to LAFCO to transition to a CSA would be the next step. Additionally, the City and County would need to determine if the service structure would continue to be appropriate and negotiate a new service agreement.

Dissolution and Continued Service by City of Napa

Given that City of Napa is providing all core services within CVWD, dissolution of CVWD and continued services by the City of Napa is an option that would address duplicative administrative efforts on the part of both agencies. Because the Congress Valley area is entirely outside of the City's Sphere of Influence and Rural Urban Limit, there is no potential for annexation of the territory in the foreseeable future. The inability of the City to annex the territory has posed a challenge in the past because based on former State law, the City would have lacked a legal basis for continuing provision of water service to district customers outside of the city limits. However, the California legislature has adopted a pilot program (Government Code 56133.5), under which LAFCO could authorize the City to extend its water service to the properties already receiving water service from CVWD through an outside service agreement. This pilot program expires January 1, 2021, unless it is extended through future legislation. As of the drafting of this report, a bill to extend the sunset date for another five years was introduced but tabled in order to address immediate needs resulting from the COVID-19 pandemic. It is assumed for the purposes of this report that Government Code 56133.5 will be extended once the State legislature is able to return to regular business. Should this code section expire, there does not appear to be a manner to make use of Government Code 56133 in its stead as no impending threat to the health and safety of the public exists and the area is not within the City's SOI.

When a district is dissolved, typically a "successor agency" is identified that annexes the territory and all assets and infrastructure are transferred from the dissolved agency to the successor agency. In this case, the only viable successor agency upon dissolution of CVWD is the City of Napa. This MSR finds that the City's administrative controls, as well as public water supplies and capacities, are adequate to meet current and projected demands under normal and multiple dry year conditions into the foreseeable future.

However, the City is unable to annex the CVWD territory, which creates some not insurmountable barriers to finalizing the reorganization. First, there are 14 parcels within CVWD's boundaries that are not yet connected to the distribution system. These parcels would have the ability to connect to CVWD's system if they so choose, should the District continue to exist. Upon dissolution of CVWD, these parcels would no longer be guaranteed service, but would have to apply to the City under the requirements of Government Code

56133.5 allowing extension of services outside of the city limits. LAFCO may consider preemptively approving City of Napa service to these parcels as a condition of the dissolution to ensure the properties are identified and safeguarded for potential future water services.

Second, typically the former district's property tax share would be transferred to the successor agency following negotiations with the County. However, in this case, the City would not be annexing the territory and therefore tax sharing negotiations with the County would not be triggered. (CVWD receives 12.2 percent share of the Proposition 13 1% property tax, which budgeted to be \$85,065 in FY18-19.) In general, the rates charged by the City are set to sufficiently cover the cost of providing services and additional property tax revenue would not be necessary; however, as mentioned, with its property tax share CVWD offsets a portion of the City's rates for CVWD residents by paying the difference between the resident rates charged by the City and the non-resident rates charged to connections outside of the city limits totaling \$13,089 in FY17-18 and allocated \$30,000 in FY18-19. Ideally, in some manner, the tax funds would continue to provide this offset for the residents of CVWD and not be reapportioned to other agencies. It is recommended that the City and the County discuss a means to continue making use of this tax apportionment for the benefit of the current CVWD customers.

Third, dissolution of CVWD would eliminate a governing body with entirely local trustees that represent the interests of the landowners within CVWD. Additionally, those from outside the city limits are precluded from sitting on the City Council, which would be making decisions affecting water services in the area. All of the City's outside service connections are similarly disenfranchised without representation on the decision making body. It is recommended in order to address this issue, that the City form a Water Commission or Advisory Committee to provide input to the City Council on which out of area customers may sit or for whom seats are reserved. One example of a Water Commission is in the City of Ventura; the Commission reviews and makes advisory recommendations regarding water rates, water resources infrastructure projects in the five-year capital improvement program, the integrated water resources management plan, water supply options, the Urban Water Management Plan approval process, a water dedication and in-lieu fee requirement, and other water resource issues.

As part of the process for this scenario, all financial and physical assets of CVWD would likely be transferred to the City of Napa. Transfer of CVWD's assets is accounted for in its agreement with the City as follows. "In consideration of the services provided by the City under the terms of this Agreement, no later than thirty (30) days prior to the termination of this Agreement, the District shall convey to the City title to all physical system assets of the District." Financial assets of CVWD consist of an estimated fund balance of \$689,000 at the end of FY19. CVWD has no outstanding debt.

The quantifiable benefits of this reorganization would be a savings of approximately \$100,000 each year, which is presently allocated to CVWD administrative costs, including board expenses, legal, insurance and financial services. These services could likely be covered at little or no additional expense to the City of Napa and are likely already included in the rates that are charged to every connection.

In order to comply with Government Code 56133.5 to approve new or extended services outside of a jurisdictional boundary, the Commission must come to determinations regarding the following:

- (1) The extension of service or services deficiency was identified and evaluated in a review of municipal services prepared pursuant to §56430.

The extension of City of Napa services to provide direct water services as opposed to contract water services is identified and evaluated as part of this municipal service review.

- (2) The extension of service will not result in either (1) adverse impacts on open space or agricultural lands or (2) growth inducing impacts.

This governance option does not propose changes in land use to open space or agricultural lands. For those parcels within CVWD's boundaries that are not yet connected but may desire to do so at some point in the future, there is potential for growth as a result of offering water services in the area; however, these parcels already have access to the water services as they are within the boundaries of a water service provider and the change in organization will not create further potential for growth.

- (3) A sphere of influence change involving the affected territory and its affected agency is not feasible under this division or desirable based on the adopted policies of the commission.

A sphere of influence change is not being proposed for this governance option. The area is located outside of the City's Rural Urban Limit, which does not preclude the territory from being included in the City's SOI but does prevent the annexation of the area in question unless the RUL is amended by voter approval and the City completes the LAFCO annexation process, including a tax sharing agreement with the County. Consequently, it is determined that a sphere of influence change is not feasible as there is no potential for a correlating boundary change.

Beyond cost savings, other potential benefits of this reorganization consist of 1) streamlining and improving clarity of service structure for customers, 2) elimination of duplicative administration and governance services, and 3) provision of all services by a well-managed professional agency with full-time staff and extensive expertise and resources.

There are drawbacks to the potential reorganization of City of Napa and CVWD, including 1) elimination of a governing body with entirely local trustees that represent the interests of the landowners within CVWD and 2) the potential disenfranchisement of local customers. These drawbacks may be addressed by the formation of the recommended City Water Commission, which would be a means for local residents to provide input on water issues.

It appears that this option may provide the most benefits to the Congress Valley community, and provide the most straightforward process, should the challenges specific to this reorganization be appropriately addressed. It is recommended that City of Napa, CVWD, and the County begin discussions regarding the possibility of moving forward with reorganization and the manner of addressing the challenges to this option.

RECOMMENDATIONS

During the process of this review, the following recommendations are made to CVWD regarding its water service delivery.

- 1) It is recommended that City of Napa, CVWD, and the County begin discussions regarding moving forward with dissolution of CVWD and extended services by the City of Napa. Discussion should focus on the manner of addressing the challenges to this reorganization option.
- 2) It is recommended that the District ascertain the cost of creating and maintaining a website and reassess its finding of hardship. CVWD reports that it expects to have a website in place by “the fall of 2020.”⁶⁷³
- 3) CVWD and the City of Napa maintain a good working relationship; however, improvements could be made by initiating a regular reporting structure to keep the District informed.
- 4) It is recommended that CVWD and the City ensure that the capital needs of the distribution system are appropriately planned for in appropriate capital planning documents. CVWD reports that it is “actively engaged with consultants and engineers to identify additional capital outlays...”⁶⁷⁴

⁶⁷³ Comments on Draft MSR – CVWD, July 15, 2020.

⁶⁷⁴ Comments on Draft MSR – CVWD, July 15, 2020.

CONGRESS VALLEY WATER DISTRICT DETERMINATIONS

Growth and Population Projections

- ❖ Congress Valley Water District's population, as of 2019, was approximately 262.
- ❖ CVWD's population increased by 1.09 percent annually between 2009 and 2019.
- ❖ While there are some parcels within CVWD that do not currently contain developed housing units, there are not a significant number of such undeveloped parcels. In combination with the restrictive land uses in the area, it is reasonable to assume CVWD's resident population growth rate over the foreseeable future will remain low and not significantly impact the District's demand for water.
- ❖ LAFCO anticipates growth within CVWD to be similar to the most recent five-year trend of all unincorporated areas of Napa of 0.21 percent annually, with an anticipated population of 268 by 2030.

The Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the Agency's SOI

- ❖ According to Napa LAFCO's definition of disadvantaged unincorporated communities (DUCs), there are currently no DUCs in Napa County.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

- ❖ The City of Napa's sources of water supply are sufficient to continue to provide service to CVWD's service area and other areas served by the City of Napa.
- ❖ Based on recent and projected water demands, there is sufficient water supply available to serve all properties located within the Water Supply Contract service area, including existing and anticipated development.
- ❖ The level of water services offered by the City of Napa were found to be more than adequate based on integrity of the water distribution system and compliance with drinking water requirements. The integrity of the City's water distribution system and the CVWD distribution system is excellent as measured by the degree of annual water loss and the rate of main breaks and leaks per 100 miles of main. The City was in full compliance with Primary Drinking Water Regulations in 2018. While the City had six violations reported by the EPA since 2008; the City has adjusted its treatment mechanism and has had no violations since 2016.
- ❖ No known infrastructure needs were identified with regards to CVWD's water distribution system.
- ❖ It is recommended that CVWD and the City ensure that the capital needs of the distribution system are planned for in appropriate capital planning documents.

CVWD reports that it is “actively engaged with consultants and engineers to identify additional capital outlays...”⁶⁷⁵

Financial Ability of Agencies to Provide Services

- ❖ The CVWD relies on the City of Napa for the provision of water; the City bills District customers directly for water and retains all revenues, and the City is responsible for all operations, maintenance and capital planning.
- ❖ The District relies primarily on property tax to fund District administrative costs. These costs vary annually depending on needs for engineering and financial biennial auditing services. The FY19 budget showed a \$40,000 shortfall, largely due to funding of a portion of customer’s water bills to pay for the difference between the City’s rates for residents vs. non-residents. The shortfall was funded by reserves.
- ❖ The District’s cash balance and unrestricted net position appear to be more than adequate as operational reserves; however, future capital needs are unknown.
- ❖ The net value of the District’s capital assets showed no additions in FY18, and the net value declined by nine percent. The District has no capital plan, and the City’s capital plans do not explicitly identify District needs or future costs.

Status of, and Opportunities for, Shared Facilities

- ❖ CVWD relies upon shared facilities with the City of Napa for water conveyance to the District’s boundaries. Additionally, the contract service structure allows for resource sharing as the City operates and maintains the Districts’ distribution system.

Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

- ❖ The District Board holds regular appropriately noticed meetings.
- ❖ The District has not developed a website to make information available to the public as recommended in the 2017 MSR. It is recommended that the District ascertain the cost of creating and maintaining a website and reassess its finding of hardship in regard to compliance with SB 929. CVWD reports that it expects to have a website in place by “the fall of 2020.”⁶⁷⁶
- ❖ CVWD and the City of Napa maintain a good working relationship; however, improvements could be made by initiating a regular reporting structure to keep the District informed.
- ❖ It is recommended that City of Napa, CVWD, and the County begin discussions regarding moving forward with dissolution of CVWD and extended services by the City of Napa. Discussion should focus on the manner of addressing the challenges to this reorganization option.

⁶⁷⁵ Comments on Draft MSR – CVWD, July 15, 2020.

⁶⁷⁶ Comments on Draft MSR – CVWD, July 15, 2020.

Relationship with Regional Growth Goals and Policies

- ❖ CVWD is not a land use authority that takes part in regional planning efforts and therefore does not impact growth policy.
- ❖ LAFCO's adopted policies relating to special district spheres discourage any expansions of CVWD's existing sphere to promote urban development based on current land use designations of lands located within close proximity to the District.