



City of St. Helena Ad Hoc Committee Special Meeting

465 Main Street, Vintage Hall Board Room - Second
Floor, St. Helena, CA 94574
Saturday, May 20, 2017 @ 9:00 AM

Page

1. CALL TO ORDER
2. ROLL CALL
Ad Hoc Utility Rate Committee Members:
Chair Bonnie Long, Vice Chair Tom Vence
Committee Members Chris Dann, Lester Hardy, Joel Gott, Doug Cutting and Mark Smithers

City Council Liaisons: Mayor Galbraith and Councilmember Mary Koberstein

3. PUBLIC COMMENT PERTAINING TO AD HOC UTILITY RATE COMMITTEE:
Please observe the three minute limit.

4. NEW BUSINESS

- 4.1. Model Update by Catherine Hansford
- 4.2. Review of Escalation Rate Assumptions included in the Utility Rate Study adopted 11/29/16
- 4.3. Review and discussion of outstanding questions presented at the Wednesday, April 26, 2017 Ad Hoc Utility Rate Committee meeting
[Edited Questions Ad Hoc 5.20.2017](#)
[Public Comment.Lois Battuello](#)
- 4.4. Discussion and providing direction on scheduling an additional Ad Hoc Utility Rate Committee meeting

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5. DISCUSSION OF ITEMS TO BE PLACED ON THE NEXT MEETING
AGENDA:

- 5.1. What is an assessment district and how does it work?

6. ADJOURNMENT

The next Ad Hoc Utility Rate Committee meeting is scheduled for "to be be determined".

This agenda was posted at City Hall, 1480 Main Street, and at Vintage Hall, 465 Main Street, St. Helena, California on May 19, 2017 at 8:45 am.

Cindy Black, City Clerk

In Compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please call the City Clerk's Office (707) 967-2792. Notification 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act will enable the City to make reasonable arrangements to ensure accessibility to this meeting

1. How many agreements does the City have with other water customers and were the agreements reviewed and taken into consideration when formulating the new rate methodology. What was the outcome?
2. Could you discuss the current water base rate structure and provide some rational and explanation on why rates are not completely based on how much demand each customer places on system
3. Please provide methodology used to assign base WW service charge to various wastewater customer categories. How are volume and strength considered in the methodology. There does not seem to be a metric for volume difference in the base wastewater service charge.
4. Does the modified rate structure better match the size, use, and strength of a customer vs the adopted rate structure?
5. What can be done to mitigate the large WW base charge rate increases for small businesses who have come to the City Council fearful that they will go out of business
6. Please explain rational for charging Mobile homes and Multifamily WW service charge by arbitrarily treating each unit in VV as a residential WW customer category
7. This approach, has resulted in the park's WW base service charge to increase from approximately \$2,100 per month to \$9,100 per month (333%) under the current schedule with further steep escalation to occur beginning in November 2017. Could this issue be resolved by adapting the modified rate structure or going back to the old rate structure.
8. In the past two fiscal years, the city manager's staff has grown from 2.0 to 4.5 full time employees and 33.5% of the projected salary and benefits paid to these employees will be taken from the water and sewer enterprise accounts. When the city manager and staff oversee the management and operations of the public works department along with the police, fire, city attorney, finance, library, recreation and planning departments, how can such a large percentage of the city manager's salary and benefits be justified being paid out of the water and sewer enterprise accounts?
9. Meadowood
 - a. Why did we eliminate the Meadowood Surcharge?
 - b. Provide an analysis of all the costs associated with servicing Meadowood area customers.
 - c. Are we required to maintain or service meters or any other aspects of the Meadowood / Oak Knoll area customer system? Have we or are we establishing a rate stabilization fund?

10. How many agreements does the City have with other water customers and were the agreements reviewed and taken into consideration when formulating the new rate methodology. What was the outcome?
11. Many municipal water districts have gone to the effort to research the difference in expense to deliver water to city customers verses rural customers. For example, the city of Napa charges its out-of-city water customers 45% more than its city customers. Would it be possible for our city's staff to review other city's rate structures to determine whether or not we are missing opportunities to base our rate structure using applicable city's justifications?
12. Almost every other municipal water district charges residential customers different base rates for 5/8" and 1" meters. If the added cost can be justified based upon potential volume use, why isn't St. Helena doing the same with its rate structure?
13. What is the recommended amounts that should be set aside for reserves, sinking funds, designated, and undesignated funds?
14. O&M and Rehabilitation and Capital Projects have different risk profiles so shouldn't that fact be considered when determining the Reserve amounts?
15. How are designated funds used?
16. What attributes to the increase in expenses over the past few years for the water and wastewater systems?
17. Has City staff looked at Cost of Service issues regarding the cost of delivery, maintenance, replacement, administration, liability etc. of providing water to entities outside the City and if so, were these costs allocated to the rates to these entities.
18. The projected revenue requirements listed in Table 10 of the Water Technical Memorandum and Table 7 of the Waste Water Technical memorandum have the following assumptions for increase in operating expenses:
 - a. Salaries & Benefits – 5%
 - b. Services – 5%
 - c. Supplies – 5%
 - d. Napa Purchased Water – 3% (water only)
 - e. Maintenance – 10%
 - f. Taxes, Insurance & Contributions – 10%
 - g. Capital – 3% (wastewater only)

Can you provide information on where these assumptions came from? How were these increases determined?

19. How was it determined what is considered costs to current customers vs. costs to future customers?

May 20, 2017

To the Ad Hoc Committee on Rates and Ratepayers

The role of the Ad Hoc Committee is to study the inequities of the Hansford Rate Model following its first phase implementation February 8, 2017, and to reduce rates for all ratepayers.

The approval of the Hansford Rate Study model was conditional last January, with only the first installment adopted to begin February 8, 2017, the balance subject to review subsequent to that date after the impacts and flaws of the model would be evident. An Ad Hoc Committee was formed to deal with these issues.

An Ad Hoc Committee is not charged with coming up with a single recommendation. This was the flaw in Jack Stuart's Ad Hoc Committee last September. The role of the Committee is to present ideas (multiple) for the City Council to then debate and vote on. I hear comments "we have to come up with a recommendation we all agree on." No you don't. You can take forward a series of ideas based on your personal knowledge and strengths in finance, plans submitted by others, or otherwise ill-conceived and incredible ideas like the Bond Model. It is the Council that debates these and makes a decision.

I began listing the fatal flaws in the Bond Model presented by Ken on May 17, but was timed out at three minutes. Below is what I was able to state, followed by information I will present May 20, 2017 (5-9).

1. The Bond cash flows are flawed because they relied on the same flawed Hansford model you are here to dismember. Neither considers the benefits of depreciation, and the Bond model also over-collects from rate payers, building huge cash reserves ... (\$10 million in water and \$7 million in waste treatment). What for? We are making changes to our systems that will last decades and have no need for the cash to be taken from us and put in utility reserves for no purpose.

2. We were given advice by Ken of the bonding company not to move the York Creek Project to the General Fund. Since when are the Bond people involved in local politics? As I noted, he is unaware of the malfeasance

involved. Measure A was a General Fund Flood Control project that has nothing to do with the water or wastewater utilities that are not located anywhere near the flood control levee designed to protect property. As to dam removal from York Creek, that has to do with fish and not with our water system.

3. The Bonds people erred by using the Hansford Model as the basis for their model (see 2 above regarding the same flaw that results in serious over collections from rate payers).

4. The Bond Model goes beyond five years, just like Hansford. St. Helena reviews rates every five years. After five years, only the pipeline project remains for the water enterprise; there is nothing left to do at the waste treatment plant after the 2019-2020 construction of the new plant, save one small phase that would be considered in 2022 under a five-year rate review.

5. The Bond Model like the Hansford model advises not to move the \$525,000 York Creek/Measure A debt to the General Fund to not stress it, without knowing the General Fund has just increased its annual revenues by 32% or more from passage of Measure D and new revenues from TOT (Transient Occupancy Tax) from Las Alcobas, at least \$3.2 million/year from just two sources that are continuous (without sunsets).

6. All debt coverage hurdles are met in my model which understates revenues from improved and increasing water sales. We will never again be subject to drought restrictions. The contract with Napa can be renegotiated to point out its various flaws, including annual 5% increases that exceed increases in the cpi (2.6% the past few years) and St. Helena's state exemption as a small utility from drought restrictions.

7. My model is conservative as noted above and shows more than adequate cash for contingencies -- more glue at the dam for stabilizing it or other emergencies is generated or can be debt serviced.

8. The Bond model doesn't show the millions of dollars in restricted funds on hand for the York Creek Project; the General Fund has more than adequate revenues and cash flow for the additional \$1.6 million needed for

the project in 2017-18.

9. The Bond Model seriously over-collects from ratepayers in keeping with the Hansford Model, from 99% to 232% for sewer/waste reserves, 100% to 157% for water reserves.

MY PLAN is in page 2 of "An Analysis of Water Rates and Future Needs Adding Cash Flows from Depreciation to Scheduled Capital Projects.

It is the ONLY PLAN other than the Bonds plan submitted to the Ad Hoc Committee.

I emphasize points 1 - 4 as this is the only plan that conforms to the January vote providing new information (omitted depreciation expense) and rate reductions which are the objective of the Ad Hoc Committee.

Note my Plan has more than adequate reserves if the dam has to be "glued" again to the tune of \$2 million following inspection due this year. It is very conservative and does not include ongoing and increased reserves as demand for water and waste use increase without drought restrictions and with the addition of new users, 2 new industrial users (wineries), Las Alcobas, and a new restaurant among the users.

Hai Ann Battuello
963-8960

WATER CASH FLOW - OPERATING & CAPITAL

Revenues and Expenses	2018 Year 1	2019 Year 2	2020 Year 3	2021 Year 4	2022 Year 5	2023 Year 6	2024 Year 7	2025 Year 8	2026 Year 9	2027 Year 10
Revenues										
Water Sales	\$6,149,821	\$7,099,310	\$7,637,297	\$7,954,330	\$8,272,645	\$8,614,580	\$8,911,374	\$9,150,344	\$9,352,463	\$9,547,242
Meadowood Surcharge		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Meter Replacement Fee	\$47,612	\$49,139	\$50,715	\$52,341	\$54,019	\$55,750	\$57,537	\$59,381	\$61,283	\$63,247
Other Revenues	\$93,850	\$93,850	\$93,850	\$93,850	\$93,850	\$93,850	\$93,850	\$93,850	\$93,850	\$93,850
Total Revenues	\$6,291,284	\$7,242,299	\$7,781,862	\$8,100,521	\$8,420,513	\$8,764,181	\$9,062,761	\$9,303,574	\$9,507,596	\$9,704,338
Operating Expenses										
	\$4,128,126	\$4,321,846	\$4,582,439	\$5,090,354	\$4,968,197	\$5,207,724	\$5,460,595	\$5,727,681	\$6,009,921	\$6,308,323
Net Revenue before Debt Service and System Rehabilitation										
	\$2,163,157	\$2,920,454	\$3,199,423	\$3,010,168	\$3,452,316	\$3,556,457	\$3,602,166	\$3,575,893	\$3,497,675	\$3,396,015
Debt Service										
	\$1,024,503	\$1,087,147	\$1,084,000	\$1,113,084	\$1,164,815	\$1,164,972	\$1,168,722	\$1,165,630	\$1,162,102	\$1,154,422
Debt Service Coverage										
	2.11	2.69	2.95	2.70	2.96	3.05	3.08	3.07	3.01	2.94
Net Revenues (Deficit)										
	\$1,138,655	\$1,833,306	\$2,115,423	\$1,897,084	\$2,287,502	\$2,391,485	\$2,433,444	\$2,410,263	\$2,335,572	\$2,241,593
Reserve Balance										
Beginning Balance		\$4,128,126	\$4,321,846	\$5,185,667	\$5,090,488	\$4,981,971	\$5,476,636	\$6,094,427	\$7,539,165	\$8,743,397
Plus: Net Revenue	\$1,138,655	\$1,833,306	\$2,115,423	\$1,897,084	\$2,287,502	\$2,391,485	\$2,433,444	\$2,410,263	\$2,335,572	\$2,241,593
Less: Cash Funded Capital Projects	(\$2,459,834)	(\$1,639,587)	(\$1,251,662)	(\$1,992,203)	(\$2,396,019)	(\$1,916,820)	(\$1,835,653)	(\$985,525)	(\$1,151,341)	(\$1,117,001)
Transfer In from Impact Fee Fund	\$0	\$0	\$0	\$0	\$0	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Ending Balance	\$4,128,126	\$4,321,846	\$5,185,607	\$5,090,488	\$4,981,971	\$5,476,636	\$6,094,427	\$7,539,165	\$8,743,397	\$9,887,989
% of Operating Expenses in Reserve										
Months of Operating Expenses in Reserve	12	12	14	12	12	13	13	16	17	19
Capital Project Funding										
Total Capital Projects	\$3,400,897	\$2,319,626	\$1,543,629	\$3,093,869	\$2,490,694	\$1,916,820	\$1,835,653	\$985,525	\$1,151,341	\$1,117,001
Less Projects funded by Impact Fees	(\$98,440)	(\$250,277)	(\$291,967)	(\$54,111)	(\$94,675)	\$0	\$0	\$0	\$0	\$0
Net CIP Costs to be Funded	\$3,302,457	\$2,069,349	\$1,251,662	\$3,039,758	\$2,396,019	\$1,916,820	\$1,835,653	\$985,525	\$1,151,341	\$1,117,001
Less: Available Bond Funding										
	(\$842,623)	(\$429,762)	\$0	(\$1,047,554)	\$0	\$0	\$0	\$0	\$0	\$0
Cash Funded Projects										
	\$2,459,834	\$1,639,587	\$1,251,662	\$1,992,203	\$2,396,019	\$1,916,820	\$1,835,653	\$985,525	\$1,151,341	\$1,117,001
Total Bond Funded Amount by Series										
			(\$1,272,385)			(\$1,047,554)				

SEWER CASH FLOW - OPERATING & CAPITAL										
Revenues and Expenses	2018 Year 1	2019 Year 2	2020 Year 3	2021 Year 4	2022 Year 5	2023 Year 6	2024 Year 7	2025 Year 8	2026 Year 9	2027 Year 10
Operating Revenues										
Charges For Services	\$3,282,705	\$3,996,014	\$4,410,951	\$4,520,363	\$4,589,140	\$4,802,027	\$5,039,172	\$5,259,709	\$5,472,228	\$5,670,901
Growth in Services	\$4,850	\$5,578	\$7,081	\$7,373	\$7,489	\$7,596	\$8,050	\$8,408	\$8,768	\$9,100
Total Sewer Sales	\$3,287,555	\$4,001,591	\$4,418,032	\$4,527,736	\$4,596,629	\$4,809,622	\$5,047,222	\$5,268,118	\$5,480,997	\$5,680,001
Investment Earnings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sewer Connection Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Revenues	\$3,287,555	\$4,001,591	\$4,418,032	\$4,527,736	\$4,596,629	\$4,809,622	\$5,047,222	\$5,268,118	\$5,480,997	\$5,680,001
Operating Expenses										
	\$1,973,928	\$2,246,507	\$2,140,652	\$2,260,874	\$2,478,585	\$2,524,375	\$2,668,756	\$2,822,367	\$2,985,876	\$3,160,007
Operating Revenue before Capital Improvements and Debt Service	\$1,313,627	\$1,755,084	\$2,277,380	\$2,266,862	\$2,118,047	\$2,285,247	\$2,378,466	\$2,445,751	\$2,495,120	\$2,519,994
Debt Service	\$421,172	\$760,566	\$758,550	\$818,734	\$919,251	\$913,360	\$917,099	\$914,781	\$911,752	\$917,043
Debt Service Coverage	3.12	2.31	3.00	2.77	2.30	2.50	2.59	2.67	2.74	2.75
Net Revenues (Deficit)	\$892,454	\$994,518	\$1,518,830	\$1,448,127	\$1,198,796	\$1,371,887	\$1,461,367	\$1,530,970	\$1,583,368	\$1,602,952
Reserve Balance	\$2,030,442	\$1,947,196	\$2,246,607	\$2,140,652	\$3,067,670	\$2,499,614	\$2,524,375	\$3,603,634	\$4,878,695	\$6,008,300
Beginning Fund Balance	\$892,454	\$994,518	\$1,518,830	\$1,448,127	\$1,198,796	\$1,371,887	\$1,461,367	\$1,530,970	\$1,583,368	\$1,602,952
Less: Cash Funded Capital Improvements	\$0	(\$695,207)	(\$1,624,685)	(\$521,109)	(\$1,766,852)	(\$1,347,127)	(\$382,109)	(\$255,908)	(\$453,763)	(\$271,920)
Ending Fund Balance	\$1,947,196	\$2,246,507	\$2,140,652	\$3,067,670	\$2,499,614	\$2,524,375	\$3,603,634	\$4,878,695	\$6,008,300	\$7,339,332
% of Operating Expenses in Reserve	98.65%	100.00%	100.00%	135.69%	100.85%	100.00%	135.03%	172.86%	201.22%	232.26%
Months of Operating Expenses in Reserve	12	12	12	16	12	12	16	21	24	28
Capital Project Funding										
Total Capital Projects	\$1,245,330	\$4,215,833	\$4,402,174	\$527,219	\$1,773,150	\$3,342,686	\$388,801	\$262,807	\$494,399	\$279,250
Less Projects funded by Impact Fees	(\$5,578)	(\$5,750)	(\$5,928)	(\$6,110)	(\$6,298)	(\$6,492)	(\$6,692)	(\$6,899)	(\$40,636)	(\$7,330)
Net CIP Costs to be Funded	\$1,239,752	\$4,210,083	\$4,396,246	\$521,109	\$1,766,852	\$3,336,194	\$382,109	\$255,908	\$453,763	\$271,920
Less: Available Bond Funding	(\$1,239,752)	(\$3,514,875)	(\$2,771,561)	\$0	\$0	(\$1,989,067)	\$0	\$0	\$0	\$0
Cash Funded Projects	\$0	\$695,207	\$1,624,685	\$521,109	\$1,766,852	\$1,347,127	\$382,109	\$255,908	\$453,763	\$271,920
Total Bond Funded Amount by Series			(\$7,526,188)			(\$1,989,067)				