City of St. Helena
Regular City Council Meeting
Tuesday, February 28, 2023 @ 6:00 PM
Vintage Hall Board Room - Second Floor
465 Main Street, St. Helena

PLEASE NOTE: Any person who wishes to speak regarding an item on the agenda or make a comment under the "Oral Communication" portion of the agenda may do so, but please observe the time limit of four minutes.

The City Council meeting will be live-streamed on Comcast Channel 28 and on the City's website. Public comment for City Council meetings will be accepted via email to publiccomment@cityofsthelena.org. All public comments must be emailed three hours prior to the meeting. Emailed public comments will not be read out loud but will be publicly available and attached to the on-line City Council agenda.

The schedule of upcoming meetings and published meeting agendas can be found on the City of St. Helena website at https://sthelena.civicweb.net/portal/.

Simultaneous Spanish interpretation services during meetings can be scheduled upon request. To ensure interpreters are available, requests must be made at least 72 hours in advance by calling the Office of the City Clerk at (707) 968-2640 or emailing cityclerk@cityofsthelena.org.
The schedule of upcoming meetings and published meeting agendas can be found on the City of St. Helena website at https://sthelena.civicweb.net/portal/.

Servicios de interpretación en español durante la reunión pueden ser solicitados por el público. Para asegurar que los intérpretes estén disponibles, los servicios tienen que ser solicitados al menos 72 horas antes de la reunión llamando a la oficina de la Secretaria de la Ciudad al (707) 968-2640 o por correo electrónico a cityclerk@cityofsthelena.org .
El horario de las reuniones publicadas y próximas puede ser localizado en el sitio de web de la Ciudad en https://sthelena.civicweb.net/portal/ .

Page

1. CALL TO ORDER

2. ROLL CALL
Mayor: Paul Dohring, Vice Mayor Eric Hall:, City Council Members: Anna Chouteau, Lester Hardy, Billy Summers

3. PLEDGE OF ALLEGIANCE

4. ADOPTION OF THE AGENDA

5. PUBLIC FORUM:
Members of the public are entitled to speak on matters of municipal concern not on the agenda during Public Forum. Each person's comments shall be limited to 4 minutes. Each person is entitled to speak on any non-agendized item only once at any meeting. Brief questions by Council Members for clarifications may be posed and answered, and Council Members may make requests that items be placed on future agendas, but in accordance with state law, no substantive

discussion or action may take place unless and until the matter properly appears on the agenda.

6. REPORTS BY STAFF AND CITY COUNCIL, FUTURE AGENDA ITEMS, AND AB 1234 REPORTS:
Reports by staff and/or Council Members on items of general interest. Brief questions for clarification may be posed and answered, and Council Members may request that items be placed on a future agenda. Except under certain circumstances, the Brown Act prohibits any other discussion or action by the City Council.

7. PRESENTATIONS AND PUBLIC RECOGNITIONS

7.1. Proclamation in honor of the life of David A. Garden, Sr. 5

Proclamation

8. STAFF BRIEFING

None

9. CONSENT ITEMS
Members of the Council or the public may ask that any items be considered individually for purposes of considering alternative action, for extended discussion, or for public comment. Unless that is done, one motion may be used to adopt all recommended actions. (Roll Call Vote)

9.1. January 2023 Review and Forecasting of City Water Supply Availability 7 - 12

CEQA Determination: Exempt
Prepared By: Ian Dale, Environmental Services Tech
Recommendation:
Receive and File

Water Supply and Forecasting - January 2023 - Pdf

9.2. Adopt Resolution of the City Council of the City of St. Helena Approving Construction of a “Quick-Build” Traffic Calming Project at the Intersection of Kearney Street and Madrona Avenue. 13 - 30

CEQA Determination: Exempt
Prepared By: Eric Janzen, Assistant Public Works Director
Recommendation:
Approve the attached resolution.

Staff Report - Pdf

9.3. Recommended approval of a resolution authorizing (1) the City Manager to execute a change order with North Bay Office Furniture for purchase of furniture and installation services as part of the Napa Valley College move (Project C22-001) in the amount of $10,000 for a total not-to-exceed $33,385 (2) a budget increase of $10,000 to 101-4000-2145 and use of general fund balance of the same. 31 - 34

CEQA Determination: Not a CEQA project
Prepared By: Martin Beltran, Senior Management Analyst
Recommendation:

Staff recommends adoption of the attached resolution.

Staff Report - Pdf

10. PUBLIC HEARINGS

None

11. OLD BUSINESS

11.1. Presentation by Raftelis on Water & Wastewater Rate Study 35 - 58

CEQA Determination: Not a CEQA project
Prepared By: Mandy Kellogg, Administrative Services Director
Recommendation:
Receive and File.

Staff Report - Pdf

12. NEW BUSINESS

12.1. Presentation by Baker Tilly on Long Range Financial Plan Options and Council Discussion and Direction 59 - 89

CEQA Determination: Not a CEQA project
Prepared By: April Mitts, Assistant City Manager

Staff Report - Pdf

13. ADJOURNMENT

The next Regular City Council meeting is scheduled for March 14, 2023, at 6:00 p.m.

This agenda was posted at City Hall, 1572 Railroad Avenue, and at Vintage Hall, 465 Main Street, St. Helena, California on February 24, 2023.

Cindy Tzafopoulos

Cindy Tzafopoulos, 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.

CHALLENGING DECISIONS OF CITY ENTITIES

The time limit within which to commence any lawsuit or legal challenge to any quasi-adjudicative decision made by the City of St. Helena is governed by Section 1094.6 of the Code of Civil Procedure, unless a shorter limitation period is specified by any other provision, including without limitation Government Code section 65009 applicable to many land use and zoning decisions, Government Code section 66499.37 applicable to the Subdivision Map Act, and Public Resources Code section 21167 applicable to the California Environmental Quality Act (CEQA). Under Section 1094.6, any lawsuit or legal challenge to any quasi-adjudicative decision made by the City must be filed no later than the 90th day following the date on which such decision becomes final. Any lawsuit or legal challenge, which is not filed within that 90-day period, will be barred. Government Code section 65009 and 66499.37, and Public Resources Code section 21167, impose shorter limitations periods and requirements, including timely service in addition to filing.

If a person wishes to challenge the above actions in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the City of St. Helena, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.

SUPPLEMENTAL MATERIAL RECEIVED AFTER THE POSTING OF THE AGENDA

Any supplemental writings or documents distributed to a majority of the City Council regarding any item on this Agenda, after the posting of the Agenda, will be available for public review in the City Clerk's Office located at 1572 Railroad Avenue, St. Helena, California, during normal business hours and by appointment. In addition, such writings or documents will be made available on the City's web site at https://sthelena.civicweb.net and will be available for public review at the respective meeting.

CITY OF ST. HELENA PROCLAMATION
IN HONOR OF THE LIFE OF DAVID A. GARDEN, SR.

WHEREAS, David Garden was a civic-minded, philanthropic, engaged member of the St. Helena community for 50 years; and

WHEREAS, Mr. Garden's resolute leadership and determined voice were always used for the good, and his character and commitment continue to serve as a model for us all; and

WHEREAS, beginning in 1988, Mr. Garden facilitated the development of 20 acres of his land for the common good, allowing for the Stonebridge Affordable Apartments, the Upper Napa Valley College campus and Wappo Park; and

WHEREAS, Mr. Garden was the driving force who brought together several community partners, including Ecumenical Association for Housing (EAH), Napa Valley Community Housing and the City of St. Helena, to make the 80-unit Stonebridge Apartments complex a reality for many hard-working families; and

WHEREAS, in September 2012, upon the dedication of the Stonebridge community room as the David Garden Community Room, Mr. Garden was duly recognized by Congressmember Mike Thompson, Assemblymember Michael Allen and Napa County Supervisor Diane Dillon; and

WHEREAS, with his beloved wife, Nancy, in 1985 he converted the 1872 carriage house on Rancho Otranto to The White Barn, providing an historic and wonderful venue for the arts, theater and music for the benefit of residents and visitors alike; and

WHEREAS, Mr. Garden generously created a conservation easement through the Land Trust of Napa County which will preserve and protect in perpetuity 600 acres in the western hills of St. Helena; and

WHEREAS, our fond and cherished memories of Mr. Garden -- particularly his love for family, church, community, cattle, corn, and bow ties-- will endure forever; and

WHEREAS, the City of St. Helena and its citizens wish to record our deep sorrow over his passing on January 17, 2023 and honor him for his highly impactful philanthropy and unwavering commitment to St. Helena and the surrounding community.

NOW, THEREFORE, I, Paul Dohring, Mayor of the City of St. Helena, on behalf of the entire City Council, in recognition of David Garden's many contributions to our City and its citizens, do hereby express our deep appreciation for his dedication to the progress of our community and extend to his family our sincere sympathy upon his passing.

Dated: February 28, 2023

____

Paul Jamison Dohring, Mayor
City of St. Helena

Report to the City Council
Regular City Council - 28 Feb 2023

Agenda Section: **CONSENT ITEMS**

Subject: **January 2023 Review and Forecasting of City Water Supply Availability**

CEQA Determination: **Exempt**

Prepared By: Ian Dale, Environmental Services Tech

Reviewed By: Joseph Leach, Public Works Director and City Engineer

Approved By: April Mitts, Assistant City Manager

BACKGROUND

The City of St. Helena publishes a monthly water report on the City website (www.cityofsthelena.org/publicworks/page/water-reports). The report includes the amount of water produced at the Louis Stralla Water Treatment Plant and the Stonebridge Potable Water Wells, and potable water delivered from the City of Napa. In addition to presenting data on the amount delivered monthly, the report includes year-to-date information and prior year data. Water elevation and capacity at the Bell Canyon Reservoir is included as well as information on rain and temperatures.

At the City Council meeting of July 27, 2021, the City Council requested City staff enhance the monthly water report to include a forecast of available water supply, consistent with the adopted Urgency Ordinance. This request is consistent with the City's Fiscal Year 2021-22 Council Goal to develop a Comprehensive Water Security Framework, and the recently developed Framework that includes a goal to "Maximize Conservation During Water Emergency" and subtask 1C to "provide customers with comparison of actual vs. projected water demand" as well as Framework Goal Improve Consumer Satisfaction and Confidence" and subtask 3C to "additional analytical tools to improve consumer confidence."

DISCUSSION

City staff has developed a forecasting tool to facilitate its ability to optimize water use and track water availability. Included as Attachment 1 is the Monthly Water Report for January 2023. The water produced for January 2023 is down by -34% when compared to January 2022 and is down -9% compared to the average of January 2018-2020. Below is a chart summarizing the water produced per source:

Water Produced per Source

Source	Average (2018 - 2020) (Acre-Feet)	January 2022 (Acre-Feet)	January 2023 (Acre-Feet)
Bell Canyon	41	74	14
Stonebridge Wells	4	40	16
Napa Water	37	0	45
Total	**82**	**114**	**75**

Percent change from January 2022: -34**%**

Percent change from average of January 2019 - 2021: -9%

Bell Canyon Reservoir

The City is still in drought conditions. Bell Canyon Reservoir has adequate water to support the City's needs through this calendar year with Phase I conservation measures in effect. The storage in Bell Canyon graph (Attachment 2) has been revised to include historic reservoir supply levels since July 2021. It also shows the water availability forecast through June 2024 based on the highest water usage during a non-drought year (FY 2019/20) and 10 inches of rainfall (lowest recorded).

As of February 1, 2023, Bell Canyon Reservoir elevation was at 421.77 feet representing approximately 2,366.25 acre feet (AF) and 99.27% capacity. Bell Canyon spillway level is 422 feet representing 2,383.69 acre feet in water supply volume. Below is a chart comparing Bell Canyon elevation levels, water supply availability in acre feet, and percent capacity of the reservoir on February 1st in 2021, 2022, and 2023.

Year	2021	2022	2023
Bell Canyon Elevation Level	399 Ft.	420.89 Ft.	421.77 Ft.
Acre Feet	896 AF	2,289 AF	2,366 AF
Percent Capacity	37.6%	96.4%	99.27%

As a follow up to the May 24th City Council meeting, staff developed a graph (Attachment 3) highlighting the relationship between the reservoir elevation level and water supply availability in acre feet. The graph shows the current status of the reservoir. Furthermore, the graph also displays the points where City Council decided to implement Phase I and Phase II drought restrictions in 2020.

Continued Water Conservation

California experienced two consecutive dry years 2020 and 2021 and drought conditions state-wide persist. Due to the combination of warmer-than-average temperatures and minimal precipitation in the state, the Department of Water Resources (DWR) declared 2021 as the fourth-driest year on record statewide. The record-breaking dry period in January and February 2022, and the absence of significant rains in March, have required DWR to reduce anticipated deliveries from the State Water Project (SWP). However, the reduction does not affect St. Helena as the City has multiple robust water sources not affected by the executive order. Water availability from the Bell Canyon reservoir is based on the City's State Water Rights permit and not the SWP. The City has not received any curtailment order from DWR nor does the City anticipate receiving one.

Due to the ongoing drought conditions, Phase I Water Emergency remains in effect, even though Bell Canyon Reservoir level is above the level when Council initially called for Phase I conservation. Staff will monitor State-wide and local drought conditions, weather conditions, and provide updates on a monthly basis.

City of Napa Water Supply

Normal operations continue at Rutherford Pump Station (RPS) and the City is taking delivery of the allotment purchased from City of Napa. During the month of January 2023, Rutherford Pump Station was producing an average of 0.479 MG/day for a total of 45.60 acre feet (AF) for the month.

FISCAL IMPACT

None

RECOMMENDED ACTION

Receive and File

ATTACHMENTS

MWR January 1-31 2023
Attachement 2 - January Bell Canyon Reservoir Storage with Phase I II
Attachement 3 - Bell Canyon Water Storage Forecast

CITY OF ST. HELENA
MONTHLY WATER REPORT

CC: CC __X__ PC__X__ FILE _____
RECEIVED: _____ BY: __

January 1-31, 2023

	LOUIS STRALLA WATER PLANT	STONEBRIDGE POTABLE WELLS	SBW IRRIGATION WATER	NAPA WATER	TK #1 & #2 ADJUST
AMOUNT PRODUCED in AF	13.97	15.93	0.01	45.60	-0.44
AMOUNT PRODUCED in MG	4.55	5.19	0.00	14.85	-0.14
PERCENT	**18.6%**	**21.2%**		**60.7%**	-0.6%

WATER PRODUCED ~~DELIVERY~~ (AGGREGATE)

	THIS YEAR	LAST YEAR
TOTAL PRODUCED THIS PERIOD	24.59 MG	37.20 MG
MAXIMUM DAILY PRODUCED	1.23 MG	1.05 MG
MINIMUM DAILY PRODUCED	0.67 MG	0.26 MG
AVERAGE DAILY PRODUCED	0.79 MG	0.72 MG

WATER YEAR TOTALS

	THIS FISCAL YEAR	%	LAST FISCAL YEAR	%
LOUIS STRALLA WATER PLANT	321.53 AF	39.6%	243.26 AF	30.9%
	90.33 MG		79.24 MG	
NAPA WATER	328.31 AF	40.4%	219.24 AF	27.9%
	106.94 MG		71.41 MG	
STONEBRIDGE POTABLE WELLS	161.87 AF	19.9%	324.66 AF	41.2%
	52.72 MG		105.75 MG	
TOTAL WATER PRODUCED ~~DELIVERY~~ (ALL)	**811.71 AF**	**100.0%**	**787.16 AF**	**100.0%**

SBW IRRIGATION WATER

	THIS MONTH	THIS MONTH, LAST YR.
STONEBRIDGE APARTMENTS	0.00 MG/Jan 1 -31	0.00 MG/Jan 1-31
NAPA VALLEY COLLEGE	0.00 MG/Jan 1 -31	0.00 MG/Jan 1-31

WATER ELEVATION, CAPACITY & RAINFALL

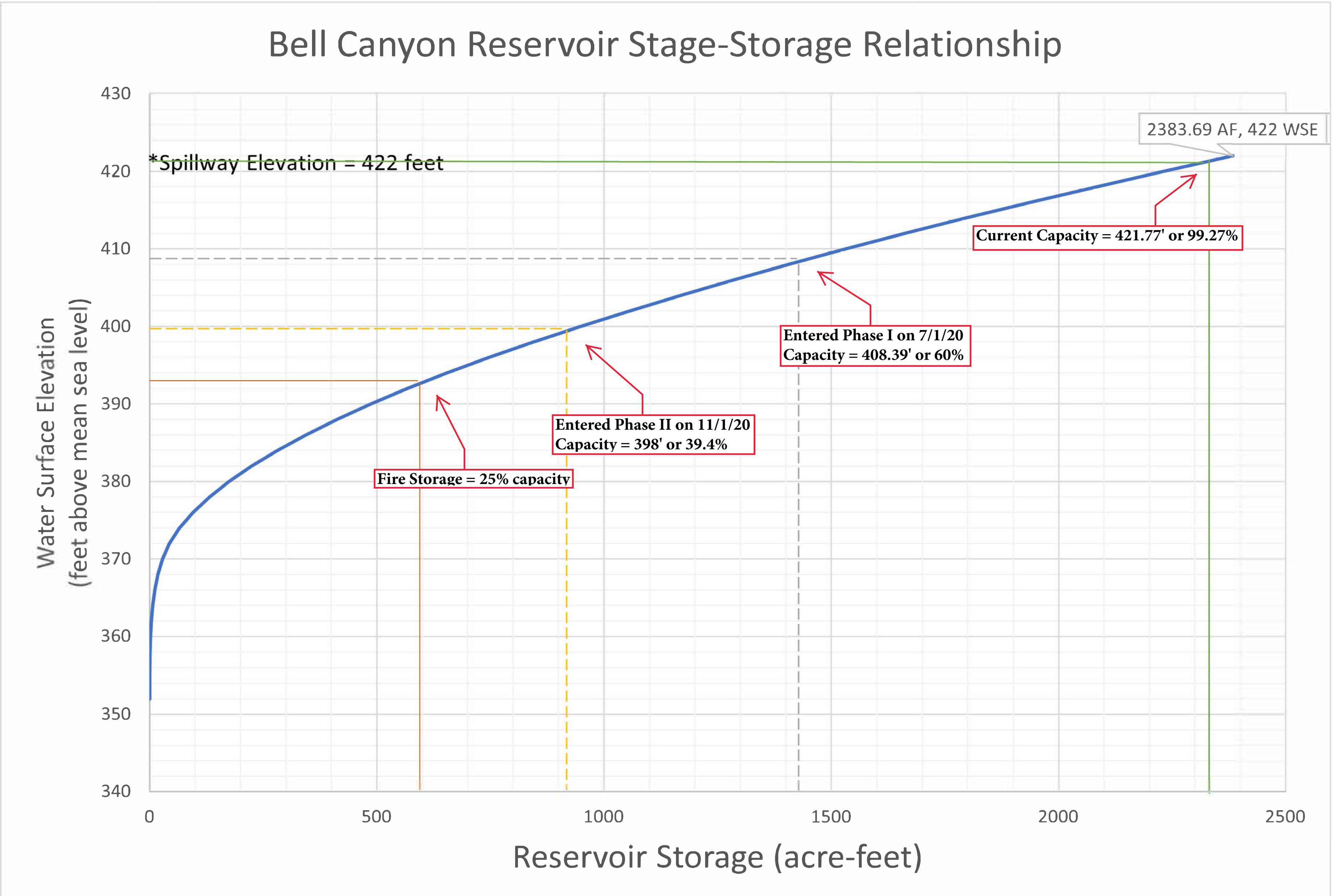
	THIS FISCAL YEAR	LAST FISCAL YEAR
ELEVATION BELL CANYON RESERVOIR	421.77 FT.	420.89 FT.
MONTHLY RISE OR DROP	-0.50 FT.	-1.39 FT.
CAPACITY AT END OF PERIOD	2366.25 AF	2289.00 AF
PERCENT OF FULL CAPACITY	99.3 %	96.4 %
RAINFALL IN THIS PERIOD	9.82 IN	1.32 IN
TOTAL RAINFALL SEASON TO DATE	21.64 IN	23.36 IN

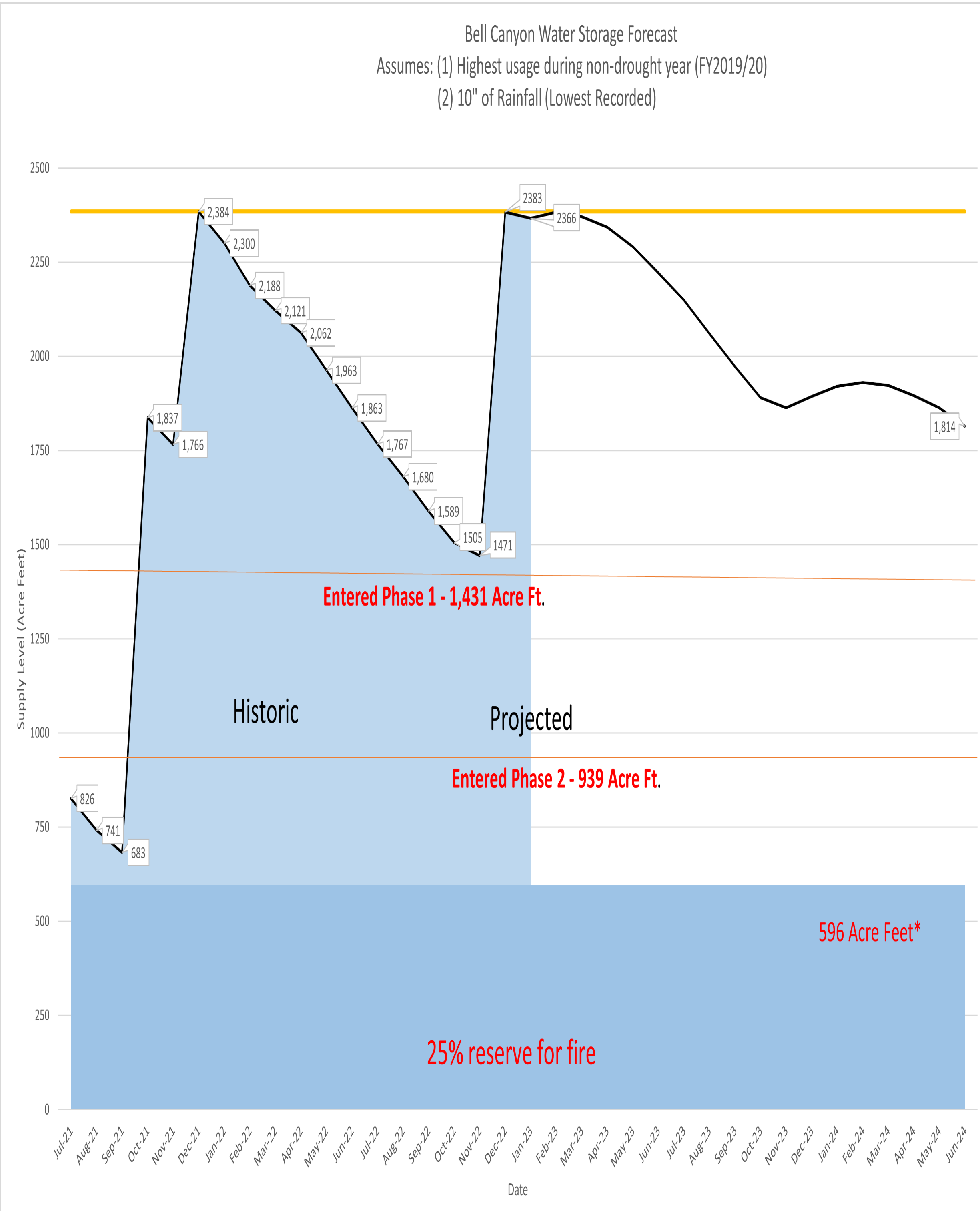
TEMPERATURES

	THIS MONTH, THIS YEAR	THIS MONTH, LAST YR.
DEGREES IN FAHRENHEIT	30-71	34-70
AVERAGE	50	52

REMARKS

City of Napa Water Delivery: RPS producing an average of 0.479 MG/day during January 2023.
DISCLAIMER: The data presented in this report is approximate and for informational purposes only.
Updates will be provided if any errors are identified.


Bell Canyon Reservoir Stage-Storage Relationship
2383.69 AF, 422 WSE
*Spillway Elevation = 422 feet
Current Capacity = 421.77' or 99.27%
Entered Phase I on 7/1/20
Capacity = 408.39' or 60%
Entered Phase II on 11/1/20
Capacity = 398' or 39.4%
Fire Storage = 25% capacity
Water Surface Elevation
(feet above mean sea level)
430
420
410
400
390
380
370
360
350
340
0
500
1000
1500
2000
2500
Reservoir Storage (acre-feet)


Bell Canyon Water Storage Forecast
Assumes: (1) Highest usage during non-drought year (FY2019/20)
(2) 10" of Rainfall (Lowest Recorded)
Supply Level (Acre Feet)
2500
2250
2000
1750
1500
1250
1000
750
500
250
0
2,384
2,300
2,188
2,121
2,062
1,963
1,863
1,767
1,680
1,589
1505
1471
1,837
1,766
826
741
683
2383
2366
1,814
Entered Phase 1 - 1,431 Acre Ft.
Historic
Projected
Entered Phase 2 - 939 Acre Ft.
596 Acre Feet*
25% reserve for fire
Jul-21
Aug-21
Sep-21
Oct-21
Nov-21
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Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
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Mar-24
Apr-24
May-24
Jun-24
Date

Report to the City Council
Regular City Council - 28 Feb 2023

Agenda Section: **<u>CONSENT ITEMS</u>**

Subject: **Adopt Resolution of the City Council of the City of St. Helena Approving Construction of a "Quick-Build" Traffic Calming Project at the Intersection of Kearney Street and Madrona Avenue.**

CEQA Determination: **Exempt**

Prepared By: Eric Janzen, Assistant Public Works Director

Reviewed By: Joseph Leach, Public Works Director and City Engineer

Approved By: Anil Comelo, City Manager

BACKGROUND

The City has partnered with the Blue Zones Project and the Napa County Bicycle Coalition to improve quality of life for our citizens.

Our partnership has identified a "quick-build" demonstration project that promotes active transportation, improves safety for students walking to school and offers the potential to beautify our streets.

This project was presented to the Active Transportation and Sustainability Committee (ATSC) on December 6, 2022 and the ATSC voted to recommend the project to the City Council.

DISCUSSION

The uncontrolled intersection of Madrona Avenue and Kearney Street has been identified as a priority intersection for crosswalk improvements in the Safe Routes Napa County Walk Audit Report. Recommended improvements included increasing the visibility of pedestrians to drivers, reducing crosswalk length, and reducing vehicle speed through the intersection.

This intersection is frequently used by school-aged children to walk to St. Helena Elementary School and Robert Louis Stevenson Middle School.

Public Works (PW), in coordination with Blue Zones Project and the Napa County Bicycle Coalition, identified sidewalk bulb-outs as the best method to achieve the above-stated results. Since bulb-outs have not been used extensively within the City, Public Works recommended that a “quick-build” demonstration project be completed to evaluate this traffic-calming measure and elicit public response.
This “quick-build” project will be temporary (about 3 months) and include installation of traffic control equipment that mimics the function of sidewalk bulb-outs. This would allow the City to test the benefits of this type of intersection improvement and determine if this measure is the best choice of for this particular intersection. At the end of the demonstration, the temporary traffic controls will be removed and only the high-visibility crosswalk striping will remain.

Blue Zones Project and the Napa County Bicycle Coalition were in favor of this project. The Blue Zones Project offered to supply the materials needed to implement the demonstration project and coordinate volunteers to assist in the installation.

The City would contribute staff and the encroachment permit to implement the project. PW Staff also recommend that additional time be allocated to conduct informal “before”, “during”, and “after” speed studies on Madrona Avenue.

FISCAL IMPACT

A minimal expense of City staff time to coordinate and install the temporary traffic controls. Staff time will be supplemented by volunteers coordinated by Blue Zones.

Staff also recommend that additional staff time be allocated to conduct informal “before”, “during”, and “after” speed studies on Madrona Avenue.

RECOMMENDED ACTION

Approve the attached resolution.

ATTACHMENTS

Resolution.Quick Build Traffic Calming Project.2023
Madrona and Kearney Quick Build

CITY OF ST. HELENA

RESOLUTION NO. 2023-

Resolution of the City Council of the City of St. Helena Approving Construction of a "Quick-Build" Traffic Calming Project at the Intersection of Kearney Street and Madrona Avenue.

WHEREAS, The City has partnered with the Blue Zones Project and the Napa County Bicycle Coalition to improve quality of life for the citizens of St. Helena; and

WHEREAS, this partnership has identified a "Quick-Build" Traffic Calming Project that promotes active transportation, improves safety for students walking to school and offers the potential to beautify our streets; and

WHEREAS, the "Quick-Build" Traffic Calming Project will be temporary and include installation of traffic control equipment that mimics the function of sidewalk bulb-outs at the intersection of Kearney Street and Madrona Avenue; and

WHEREAS, the "Quick-Build" Traffic Calming Project was presented to the Active Transportation and Sustainability Committee (ATSC) on December 6, 2022 and the ATSC voted to recommend the project.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ST. HELENA AS FOLLOWS:

SECTION 1. The above recitals are true and correct and are incorporated herein by this reference.

SECTION 2. The City Council approves the "Quick-Build" Traffic Calming Project and authorizes the Director of Public Works to implement the project.

SECTION 3. The City Council authorizes the Director of Public Works to allocate Staff time to assist in the installation of this project and to issue an encroachment permit without fee.

SECTION 4. The City Council further authorizes the Director of Public Works to allocate Staff time to conduct a speed study on Madrona Avenue to test the effectiveness of the project.

Approved at a Regular Meeting of the St. Helena City Council on _________, 2023, by the following vote:

Mayor Paul Dohring: _____

Vice Mayor Eric Hall: _____

Council Member Anna Chouteau: _____

Council Member Lester Hardy: _____

Council Member Billy Summers: _____

APPROVED:	ATTEST:
______________________	______________________
Paul Jamison Dohring, Mayor	Cindy Tzafopoulos, City Clerk

Madrona and Kearney Demonstration Project

December 6, 2022

ATSC Meeting

NAPA COUNTY BICYCLE COALITION

BLUE ZONES PROJECT

CITY OF ST. HELENA

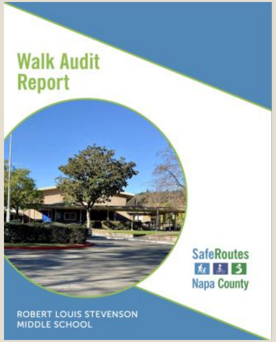
Project Site

- Intersection of Madrona and Kearney
- Between RLS Middle School and St. Helena Elementary School campuses
- Madrona Ave uncontrolled; Kearney stop-controlled
- Red curb on northeast curb only; three yellow school zone crosswalks (two across Kearney, one across Madrona)
- Madrona - recommended Class II bike lanes in Bike Plan


Madrona Ave.

Project Site Background

- RLS SRTS Walk Audit Report:
  - Barriers: long crossing distance on north leg, wide curb radii facilitates fast turns, speeding/lack of traffic control, low pedestrian visibility
  - Recommendations (high priority): curb extensions on NW, NE, SE corners; high-visibility crosswalk across Madrona
- City SRTS/Active Transportation Plan - GHD Work
  - Inspired by community concerns re: speeding, including a young student who felt unable to cross Madrona/Kearney to walk to SHES
  - Phase 1 focused on Madrona & Spring St specifically
  - GHD recommendations included Madrona/Kearney crossing improvements
  - Madrona/Kearney one of four intersections selected by ATSC in 2021 as priority location for a pilot project

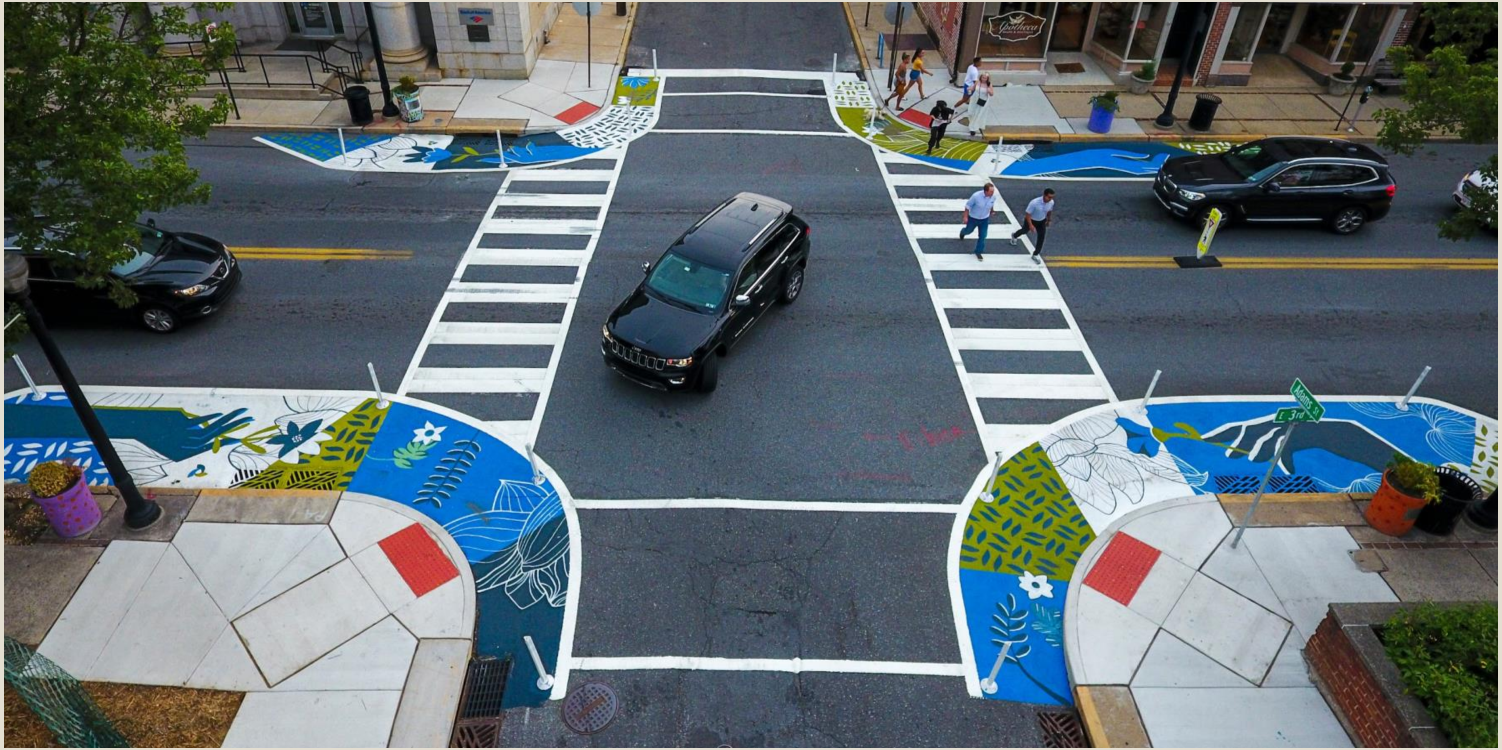


Proposed Temporary Changes

Bulb-outs

What are bulb-outs?

Bulb-outs (also called curb extensions) extend the sidewalk into the parking lane to narrow the roadway and provide additional pedestrian space and visibility at key locations. They can be placed at corners or midblock. (SFMTA)



Agenda Item #9.2.

Proposed Timeline

Implement Spring 2023 (around rain)

Maintain for 90 days (monitoring speed, gathering community feedback)

Determine next steps based on community feedback

transition to permanent, alter installation, or remove

ASK FOR TODAY

Recommendation supporting the project, including the proposed installation timeline (90 days)

Report to the City Council
Regular City Council - 28 Feb 2023

Agenda Section: **CONSENT ITEMS**

Subject: **Recommended approval of a resolution authorizing (1) the City Manager to execute a change order with North Bay Office Furniture for purchase of furniture and installation services as part of the Napa Valley College move (Project C22-001) in the amount of $10,000 for a total not-to-exceed $33,385 (2) a budget increase of $10,000 to 101-4000-2145 and use of general fund balance of the same.**

CEQA Determination: **Not a CEQA project**

Prepared By: Martin Beltran, Senior Management Analyst

Reviewed By: Mandy Kellogg, Administrative Services Director

Approved By: Anil Comelo, City Manager

BACKGROUND

Recognizing the deterioration of the City's assets, the City Council set in motion a series of studies, working committees, and reports to categorize assets, provide costs estimates for replacement/repair, and develop funding strategies for the replacement/repair of assets. In particular, the work of the SHAPE Committee and the Financing Civic Infrastructure Taskforce provided resources and recommendations that still have merit and may provide to be direction for future or permanent efforts for municipal faculties.

In December of 2019, a near fire broke out in City Hall located at 1480 Main Street, resulting in smoke damage throughout the building. On January 6, 2020, a Special City Council Meeting was held to discuss the cost and anticipated timing of repairs necessary for City Hall (1480 Main Street) and the City's then Public Works Administration Building (1572 Railroad Avenue). On May 25, 2021, the City Council approved a Resolution 2021-73 authorizing the City Manager, or designee, to execute a lease for a portion of the Napa Valley Community College District Upper Valley Campus for space to serve as a City Hall and Police facility. The initial term of the lease is for five years with the option to extend the lease for an additional two-year term. Tenant Improvements (TI's) are necessary in order to facilitate the specific needs of the City.

On January 4, 2023, the City executed a purchase order with North Bay Office Furniture for the purchase of furniture and services related to dismantling four existing cubicles and moving and reinstalling the cubicles at 1088 College Avenue. The original agreement was for an amount of $16,768.

On February 3, 2023 a change order was executed for $6,617.32 for a total not to exceed of $23,386.

DISCUSSION

During the course of the move to Napa Valley College the need was identified for repurposing the cubicles currently in use at City Hall as well as the purchase of new furniture. After the initial furniture was ordered and cubicles were dismantled, moved, and reinstalled, staff recognized the need for additional items including for the reception area. The need to procure additional items results in the purchase order being greater than $25,000, which is the City Manager's signatory level. The additional funds will allow North Bay Office Furniture to dismantle, move, and reinstall the remaining cubicles as well as complete the furnishing the offices and provide furniture for the reception area.

Staff is recommending the approval of the change order for an additional $10,000 for a total not to exceed $33,386.

FISCAL IMPACT

The fiscal impact of the change order is $10,000 for a total not-to-exceed amount of $33,386, resulting in a budget increase to 101-4000-2145 of $10,000 and use of General Fund balance of the same.

RECOMMENDED ACTION

Staff recommends adoption of the attached resolution.

ATTACHMENTS

Attachment 1: Resolution

CITY OF ST. HELENA

RESOLUTION NO. 2023 –

Authorizing (1) the City Manager to execute a change order with North Bay Office Furniture for purchase of furniture and installation services as part of the Napa Valley College move (Project C22-001) in the amount of $10,000 for a total not-to-exceed $33,385.46 (2) a budget increase of $10,000 to 101-4000-2145 and use of general fund balance of the same

A. It has been determined that current City Hall and Police Department facilities have exceeded their functional life, and;

B. On May 25, 2021, the City Council approved a Resolution 2021-73 authorizing the City Manager, or designee, to execute a lease for a portion of the Napa Valley Community College District Upper Valley Campus for space to serve as a City Hall and Police facility, and;

C. On August 6, 2021, a formal lease agreement between the City and the Napa Valley Community College Upper Valley Campus was executed, and;

D. On January 4, 2023, the City executed a purchase order with North Bay Office Furniture for the purchase of furniture and services related to dismantling four existing cubicles and moving and reinstalling the cubicles at 1088 College Avenue. The original agreement was for an amount of $16,768.14, and;

E. On February 3, 2023, a change order was executed for $6,617.32 for a total not to exceed of $23,385.46.

F. There is a need for the purchase of additional furniture and installation, and;

G. The additional requests results in the purchase order being greater than $25,000, which is the City Manager's signatory level, and;

H. The City of St. Helena and North Bay Office Furniture now desire to execute a change order to expand the scope of the services provided to include the purchase of additional furniture and installation services in the amount of $10,000 for a total not to exceed amount of $33,385.46.

RESOLUTION

The City Council of the City of St. Helena hereby resolves as follows:

1. Authorizing the City Manager to execute a change order with North Bay Office Furniture for purchase of furniture and installation services as part of the Napa Valley College move (Project C22-001) in the amount of $10,000 for a total not-to-exceed $33,385.46;

2. Authorizing a budget increase of $10,000 to 101-4000-2145 and use of general fund balance of the same.

Approved at a Regular Meeting of the St. Helena City Council on February 28, 2023, by the following vote:

Mayor Paul Dohring:	_________
Vice Mayor Eric Hall:	_________
Council Member Anna Chouteau:	_________
Council Member Lester Hardy:	_________
Council Member Billy Summers:	_________

APPROVED:	ATTEST:
____________________________	____________________________
Paul Jamison Dohring, Mayor	Cindy Tzafopoulos, City Clerk

Report to the City Council
Regular City Council - 28 Feb 2023

Agenda Section: **OLD BUSINESS**

Subject: **Presentation by Raftelis on Water & Wastewater Rate Study**

CEQA Determination: **Not a CEQA project**

Prepared By: Mandy Kellogg, Administrative Services Director

Reviewed By: April Mitts, Assistant City Manager

Approved By: Anil Comelo, City Manager

BACKGROUND

The purpose of a water and wastewater rate study is to determine the level of funding required over the next five years to ensure that each utility is meeting financial obligations for ongoing operations and maintenance, debt service, and capital improvements while maintaining prudent reserves. Updating the water and wastewater rates to keep up with the rising costs of providing safe and high-quality drinking water and wastewater services is a key component of maintaining the financial viability of the utilities, including maintaining healthy fund balances/reserves for emergencies and applicable bond covenants, and debt coverage ratios for bond covenants, and strong credit ratings. Updates to the rate study are also necessary to fund investments in infrastructure maintenance and improvements which are mandated or otherwise necessary for safe and efficient operation of the utilities.

California's Proposition 218 requires that rates be equitably apportioned and proportional to the cost of providing services. The water and wastewater rate study conducts a Cost of-Service analysis, which evaluates the cost of providing water and wastewater and allocates those costs to rate structure components to ensure the proposed rates are aligned with the costs to provide service and that all customer classes are subject to the equitable cost recovery whether they are located inside or outside of City limits.

On March 25, 2022, the City Council approved a resolution authorizing the City Manager to execute a Professional Services Agreement with Raftelis Financial Consultants to provide services associated with a Water and Wastewater Rate Study based on their experience as one of the largest firms in California and the country specializing in financial, rate, and management consulting for water, wastewater, and stormwater utilities. In addition, Raftelis has assisted numerous agencies in California implementing conservation-based rate structures, with special consideration for climate variation, cyclical drought conditions, and long-term passive conservation.

The scope of service for Water and Wastewater Rate Study project included the following tasks:

- Task 1: Project Initiation, Management, and Data Collection. Public input and engagement will be sought at this initial stage, as well as throughout the rate study process during public outreach and workshops identified in the project tasks.
- Task 2: Financial Plan Development for Water and Wastewater Services - This will include creation of a model to examine the utilities' 10-year financial plan to determine additional revenue required to ensure the financial integrity of the City's water and wastewater enterprise funds.
- Task 3: Cost-of-Service Analysis - This analysis will determine updated cost allocations to the City's utility systems to ensure costs are fairly recovered across user classes.
- Task 4: Rate Survey - This survey will provide a comparative rate analysis of comparable communities.
- Task 5: Rate Design - Rate models will be developed with flexibility to compare the current rate structures with proposed alternatives.
- Task 6: Capital Renewal & Replacement (R&R) Considerations and Scenarios - Alternative capital financing strategies will be developed to allow the City to best meet its fiscal and public policy objectives.
- Task 7: Rate Study Report - This report will document the methodology used to calculate the City's water rates and demonstrate conformance with cost-of-service principles, developed with the legal requirements of Proposition 218, and guidance from the City's legal counsel.
- Task 8: Customer Impacts and Sensitivity Analysis - The customer impact analysis will include data that shows projected rate impacts by customer class at various levels of usage.
- Task 9: City Council Workshops - This task will include three Rate Workshops.
- Task 10: Proposition 218 Noticing and Public Hearing
- Task 11: Community Engagement and Stakeholder Information Sessions - This task will include four community meetings conducted in an Open House format and one virtual community meeting.

The City's key objective of the current rate study is to minimize the growth of the rates while ensuring that sufficient funds are generated to provide for a stable and well-functioning water and wastewater system.

DISCUSSION

As part of the rate study, the City engaged a Water and Wastewater Rate Study Advisory Committee to collaborate in the following:

- Reviewing and confirming financing assumptions and options presented by staff and the consultant for CIP projects in the first five years of the Rate Study, giving due consideration to project prioritization (immediate need, and estimated cost) and the proper balance of using cash versus debt.
- Reviewing and confirming significant financial assumptions in the Study, such as reserves, adequacy of sinking funds, and designated and undesignated fund balances in accordance with generally accepted municipal financial principles.
- Review findings and recommendations to ensure equitable allocation of costs related to industrial, commercial, and residential users, rate models, and recommend appropriate rates and changes with consideration given to location, setting, special demands or unique conditions.

The Water & Wastewater Rate Study Advisory Committee has participated in ten meetings to date and is scheduled for an additional meeting on March 7, 2023. The meetings included the following:

- **June 14, 2022:** Presentation from Raftelis on Water and Wastewater rate setting, review of different rate structures, and outline of proposed rate study process and schedule.
- **June 28, 2022:** An overview of policy objectives impacting the rate study.
- **August 25, 2022:** Discussion pertaining to results of policy objectives exercise, discussion on reserve policies, and review of proposed Capital Improvement Program to be included in the rate study.
- **September 13, 2022:** Continued discussion pertaining to results of policy objectives exercise, continued discussion on reserve policies, and recommendations to the proposed Capital Improvement Program to be included in the rate study.
- **November 9, 2022:** Review of the Water and Wastewater Rate Study Financial plan scenarios and assumptions and evaluate rate structure modifications.
- **December 8, 2022:** Continued discussion regarding updates to the financial plan scenarios and extensive review of the Capital Improvement Program.
- **December 29, 2022:** Provided input and recommendations to the Water and Wastewater Financial Plan scenarios and assumptions and reviewed Proposition 218 compliance as it applies to tiered rate structures.
- **January 12, 2023:** Reviewed amendments to the Financial Plan options and discussed preliminary Water and Wastewater rate structures.
- **February 9, 2023:** Discussion pertaining to questions submitted by the Committee, approval of the proposed Water and Wastewater Capital Improvement Program, and approval of the proposed Water Financial Plan

Scenario 2 and proposed Wastewater Financial Plan Scenario 2, which omits $6.1 million in recycled water projects from the Water and Wastewater CIP.

- **February 16, 2023:** Reviewed Proposition 218 impacts and reviewed various drought rate models.

As a result of the collaboration and dedication of the committee members several important decisions were made to further the progress of the rate study, which consist of the following:

1. Recommendation for the Water and Wastewater Capital Improvement Program to be included in the rate study (Attachment A).
2. Recommendation for the Water and Wastewater Financial Plan scenarios (Attachment B).

At the remaining meeting scheduled on March 7th, the committee will be reviewing committee requested rate models.

The timeline for the outstanding tasks to complete the rate study is as follows:

Task	**Description**	**Date**
Community Open House	Water and Wastewater Rate Study Q&A	March 6, 2023
Water and Wastewater Rate Study Advisory Committee Meeting	Review of Rate Models and recommendation to City Council	March 7, 2023
City Council Meeting	Final Rate Study Presentation	March 14, 2023
Water and Wastewater Rate Study Report	Complete Report for Presentation to City Council	March 28, 2023
City Council Meeting	Rate Authorization and First Hearing	March 28, 2023
Customer Noticing	Mail Proposition 218 Notices	March 31, 2023
City Council Meeting	Second Hearing and Adoption of Rates	May 23, 2023
Customer Outreach	Customer Education, Conservation, and Compliance	April - June 2023
Rate Implementation	Effective Date of Adopted Rates	July 1, 2023

<u>FISCAL IMPACT</u>

There is no financial impact associated with this report.

RECOMMENDED ACTION
Receive and File.

ATTACHMENTS
Attachment A - Recommended Water and Wastewater CIP
Attachment B - Recommendation for the Water and Wastewater Financial Plan scenarios
St. Helena Water and Wastewater Rate Study Update Presentation

City of St. Helena 10-Year Water Capital Improvement Program

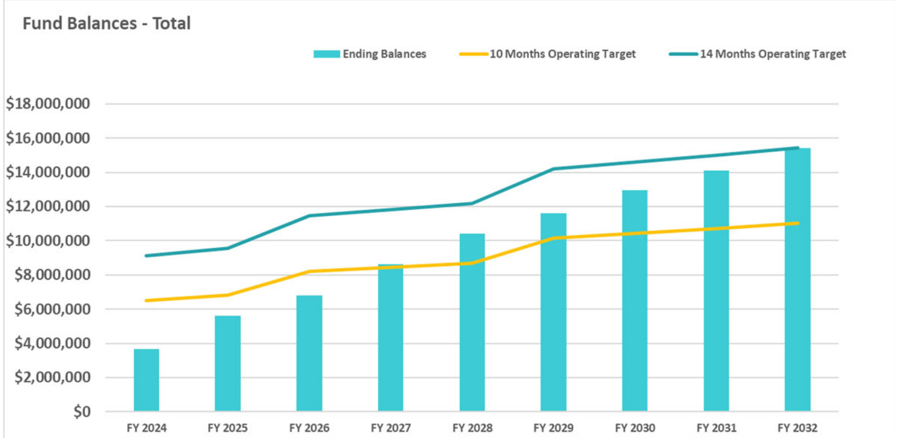
Project	Funding Source	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
W-109 Bell Canyon Intake Tower Replacement	Unrestricted			$329,323	$2,963,904						
W-80 Dwyer Road Booster Pump Station	Unrestricted			$900,000							
W18-113 SCADA Improvements - Offsite Communications	Unrestricted			$160,000	$320,000	$320,000					
W-86 Spring Mountain Pressure Zone Improvements (Holmes Tank Upgrade)	Unrestricted				$304,494	$1,370,221	$1,370,221				
PWTM-1 Napa Intertie Pipeline Replacement	Unrestricted			$1,143,000	$2,286,000	$2,286,000					
Smart Water Meters	Unrestricted			$394,000	$788,000	$788,000					
W21-01 Kearney & Andrea Water Main Replacement	Unrestricted		$875,705								
W-101 Rehabilitate Tank 2 at Lower Reservoir	Unrestricted		$940,000								
W18-111 WTP Condition Assessment	Unrestricted		$200,000								
Napa Intertie Pump Station Replacement (Construction)	Unrestricted				$200,000	$100,000	$500,000	$10,000,000			
Napa Intertie Pump Station Replacement (DESIGN)	Unrestricted		$400,000	$1,900,000							
Water Treatment Plant (Water Treatment Plant Rehabilitation)	Unrestricted							$400,000	$4,000,000	$4,000,000	
PWTM-2 Water Treatment Plant Transmission Main Replacement	Unrestricted			$1,590,800	$3,181,600	$3,181,600					
W18-118 Water Main Annual Replacement Program Allowance	Go-Bond		$288,000	$288,000	$288,000	$288,000	$288,000				
PWRR-1 Yr 6-10 - Water Main Annual Replacement Program allowance (not funded by GO Bond)	Unrestricted							$197,350	$197,350	$197,350	$197,350
PWRR-1 Future Allowance for Pipeline R/R (Years 11-15)	Unrestricted										
PFAS Sampling Project	Unrestricted		$25,000								
Disinfection By Products Project	Unrestricted		$50,000			$323,000	$323,000				
Risk and Resilience Assessment Report dated January 2022 - Additional recommended items	Unrestricted		$75,000	$75,000							
Cyber-Security Implementation	Unrestricted		$25,000	$25,000							
Asset Management Program Development	Unrestricted				$50,000						
Asset Management Software Assessment & Optimization planning	Unrestricted				$15,000						
CMMS Purchase & Setup	Unrestricted					$50,000					
ArCommercialIS Purchase & Setup	Unrestricted		$35,000	$15,000							
Allocated RW CIP	Unrestricted		$250,000	$0	$0	$0	$0	$0	$0	$0	$0
		$0	**$3,163,705**	**$6,820,123**	**$10,396,998**	**$8,706,821**	**$2,481,221**	**$10,597,350**	**$4,197,350**	**$4,197,350**	**$197,350**

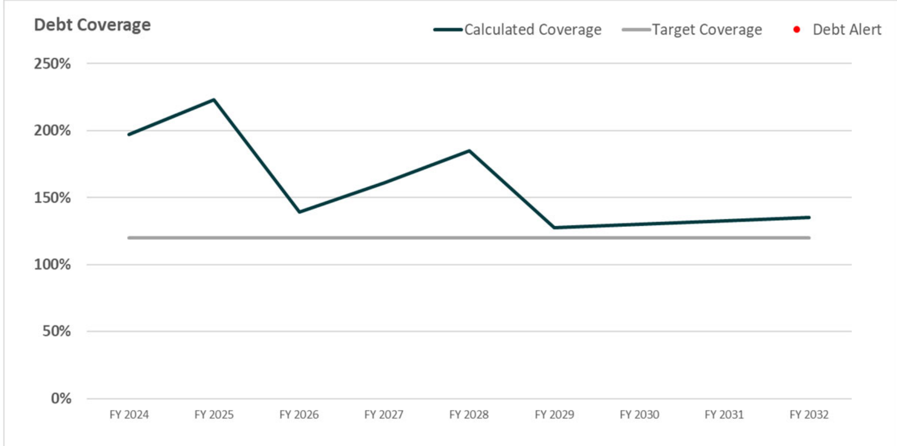
City of St. Helena 10-Year Wastewater Capital Improvement Program

Project	Funding Source	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
S-52 WWTP Phase I Upgrades	USDA	$12,061,800	$1,340,200								
S23-01 Recycled Water - Deliver Recycled Water to Crane Park's Irrigation (Design only)	Unrestricted		$50,000								
WWTP Pond Cleaning, Decommissioning, and Repurpose	Unrestricted					$500,000	$500,000				
W-86 Spring Mountain Pressure Zone Improvements (Holmes Tank Upgrade)	Go Bond		$248,000	$248,000	$248,000	$248,000	$248,000				
PWTM-1 Napa Intertie Pipeline Replacement	Go Bond			$570,000	$570,000						
WWGM-6 Del Campo Curt	Go Bond			$608,000							
W21-01 Kearney & Andrea Water Main Replacement	Go Bond		$222,000								
W-101 Rehabilitate Tank 2 at Lower Reservoir	Unrestricted			$60,000							
W18-111 WTP Condition Assessment	Unrestricted		$669,600	$669,600	$669,600	$669,600	$669,600				
WWRR-4 Model Update and System Analysis	Unrestricted				$50,000						
WWRR-5 CCTV Inspection Phase 2	Unrestricted							$328,500	$328,500		
WWRR-6 Address R/R needs from Phase 1 CCTV Program Years 6-10 & 11-20	Unrestricted							$357,350	$357,350	$357,350	$357,350
Asset Management Program Development	Unrestricted				$50,000						
W18-118 Water Main Annual Replacement Program Allowance	Unrestricted				$15,000						
CMMS Purchase & Setup	Unrestricted					$50,000					
PWRR-1 Future Allowance for Pipeline R/R (Years 11-15)	Unrestricted		$35,000	$15,000	$0	$0	$0	$0	$0	$0	$0
S21-01 WWTP Recycled Pipeline and Pump Station (design only)	Unrestricted	$0	$250,000	$0	$0		$0	$0	$0	$0	$0
		$12,061,800	**$2,814,800**	**$2,170,600**	**$1,602,600**	**$1,467,600**	**$1,417,600**	**$685,850**	**$685,850**	**$357,350**	**$357,350**

Scenario 2 (Hybrid CIP)

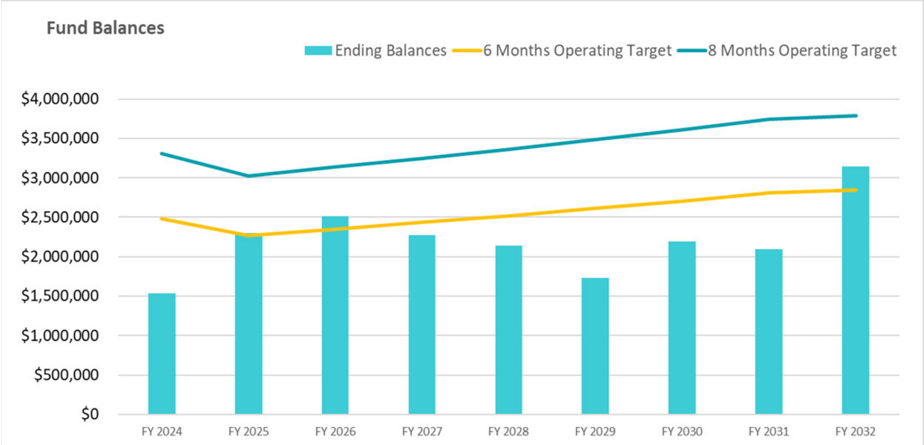
Fiscal Year	Revenue Adjustment	Proposed Debt
FY 2024	28%	$10,500,000
FY 2025	8%	$0
FY 2026	8%	$23,000,000
FY 2027	8%	$0
FY 2028	8%	$0
FY 2029	3%	$24,000,000
FY 2030	3%	$0
FY 2031	3%	$0
FY 2032	3%	$0

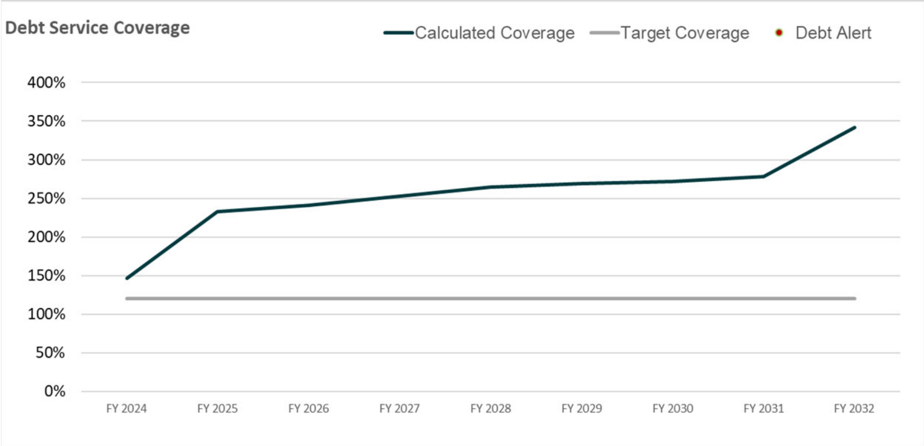




Scenario 2 (Hybrid CIP)

Fiscal Yearas	Revenue Adjustment	Proposed Debt	Proposed Interfund Loan
FY 2023	0%	$0	$873,610
FY 2024	50%	$3,000,000	$1,000,000
FY 2025	4%	$0	$0
FY 2026	4%	$0	$0
FY 2027	4%	$0	$0
FY 2028	4%	$0	$0
FY 2029	3%	$0	-$873,610
FY 2030	3%	$0	$0
FY 2031	3%	$0	-$1,000,000
FY 2032	3%	$0	$0





CITY OF ST. HELENA

Water and Wastewater Rate Study

February 28, 2023

City Council Presentation – February 28, 2023

RAFTELIS

Agenda

Background

Rate Study Advisory Committee Recommendation

- Water Financial Plan
- Wastewater Financial Plan

Upcoming Dates

Rate Study Steps

Start

Step 1: Rate Setting Framework

- Financial goals and policies
- Pricing objectives
- Alternative rate structures for evaluation

Step 2: Financial Plan

- Evaluation of operating and capital costs
- Cash flow analysis for financial sufficiency
- Scenario Analysis

Step 3: Rate Design

- Cost of Service Analyses (Cost allocations)
- Alternative rates design
- Rate calculations & customer impact analyses

We Are Here!

Step 4: Rate Adoption

- Documentation
- Study Report
- Review by legal counsel

Step 5: Rate Adoption – 218 Procedures

- Notice to DWP customers
- Public Hearing

Completion

Rate Study Advisory Committee Recommendation (Financial Plans)

Financial Plan Elements

FINANCIAL PLAN INPUTS

- Customer connections
- Billed water use
- Revenues
- Operating expenses
- Capital plan
- Beginning cash position

CAPITAL PROJECT FUNDING

Funding Mix (Cash vs. Debt)

Debt Covenants

ANNUAL CASH FLOW

FISCAL POLICIES AND TARGETS

Cash Reserves

Debt Service Coverage

ANNUAL REVENUE REQUIREMENTS

Water Financial Plan – Final Scenarios Evaluated

Scenario 1:

- “Recommended CIP”
- CIP start adjusted by one-year (FY 2023-24 start year)
- Full recycled water distribution costs
- 30% revenue adjustment in FY 2024, followed by 8% revenue adjustments in FY 2025 – FY 2028, and 5% for each remaining year
- Assumes proposed debt of $20M in FY 24, $15M in FY 26, and $24M in FY 29

Scenario 2:

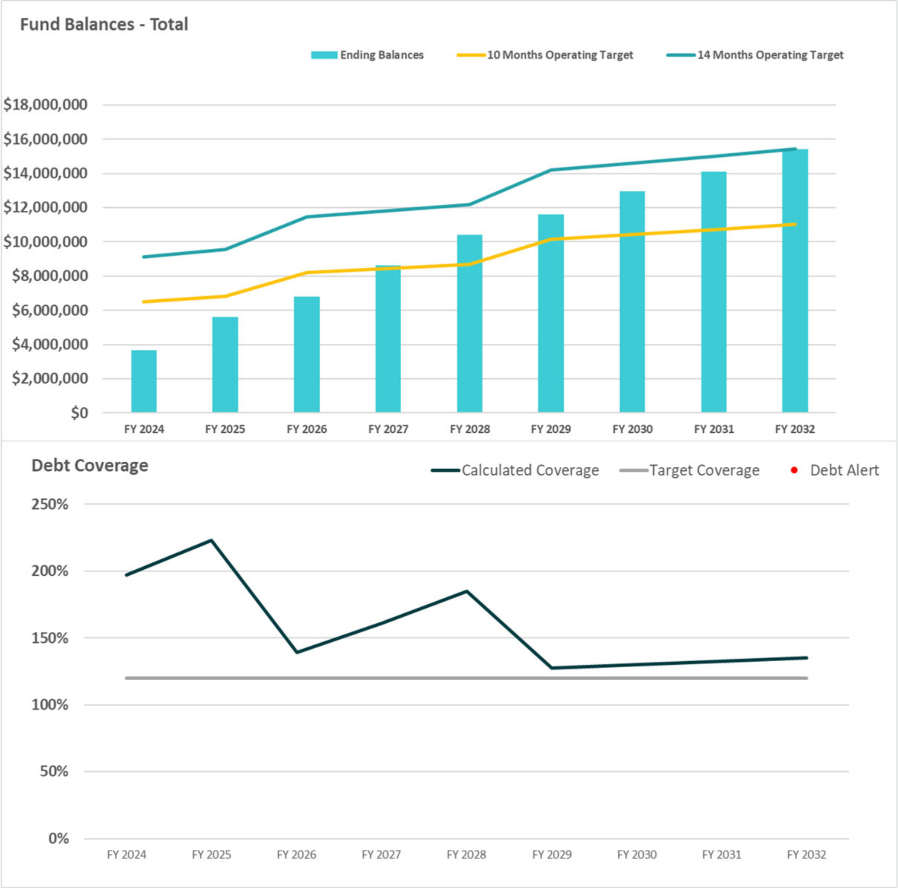
- **“Hybrid CIP”**
- **Scenario 1 CIP with reduced recycled water costs from Scenario 2**
- **28% revenue adjustment in FY 2024, followed by 8% revenue adjustments in FY 2025 – FY 2028, and 3% for each remaining years**
- **Assumes proposed debt of $10.5M in FY 24, $23M in FY 26, and $24M in FY 29**

Scenario 3:

- “Hybrid CIP”
- Scenario 1 CIP with reduced recycled water costs from Scenario 2
- 18% revenue adjustment in FY 2024, 14% revenue adjustment in FY 2025, 12% revenue adjustment in FY 2026, 8% revenue adjustments in FY 2027 – FY 2028, and 5% for each remaining year
- Assumes proposed debt of $8M in FY 24, $25M in FY 26, and $24M in FY 29

Scenario 2 (Hybrid CIP)

Fiscal Year	Revenue Adjustment	Proposed Debt
FY 2024	28%	$10,500,000
FY 2025	8%	$0
FY 2026	8%	$23,000,000
FY 2027	8%	$0
FY 2028	8%	$0
FY 2029	3%	$24,000,000
FY 2030	3%	$0
FY 2031	3%	$0
FY 2032	3%	$0



Water Financial Plan Discussion

- The selected financial plan:
  - Fully funds the recommended Capital Improvement Program (CIP)
  - Omits most recycled water pumping and distribution capital until a more detailed recycled water study can be completed
  - Maintains the existing reserves policy (10-14 months of operating expenses)
  - Maximizes the use of borrowing to accomplish the CIP
  - Assumes 1,300 acre-feet per year (AFY) of water demands
    - Prior study/historical baseline of 1,500 AFY

- The primary financial driver to the water utility is the long-term CIP
  - Approximately $6M per year

Wastewater Financial Plan – Final Scenarios Evaluated

Scenario 1:

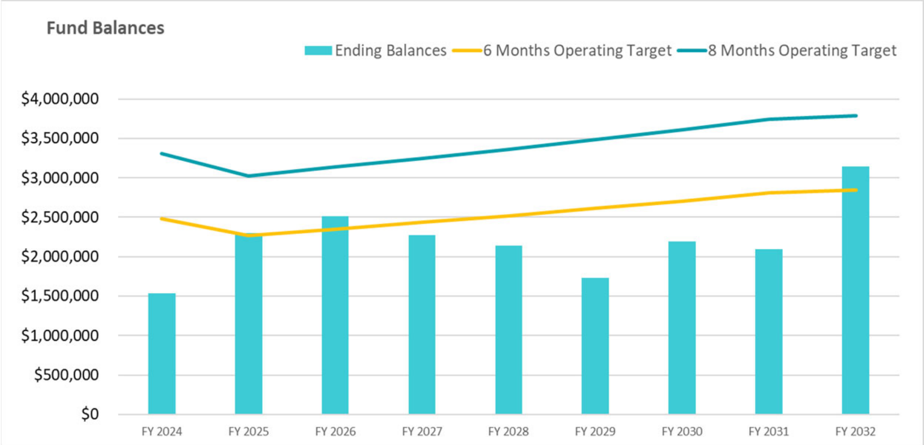
- "Recommended CIP"
- CIP start adjusted by one-year (FY 2023-24 start year)
- Full recycled water distribution costs
- 55% Revenue adjustment in FY 2024, followed by 4% in FY 2025 – FY 2028, and 3% for each remaining year
- Assumes internal fund loans in FY 2023 of $873,610, and $1,000,000 in FY 2024
- Assumes proposed debt of $5M in FY 2024, and $4M in FY 2026

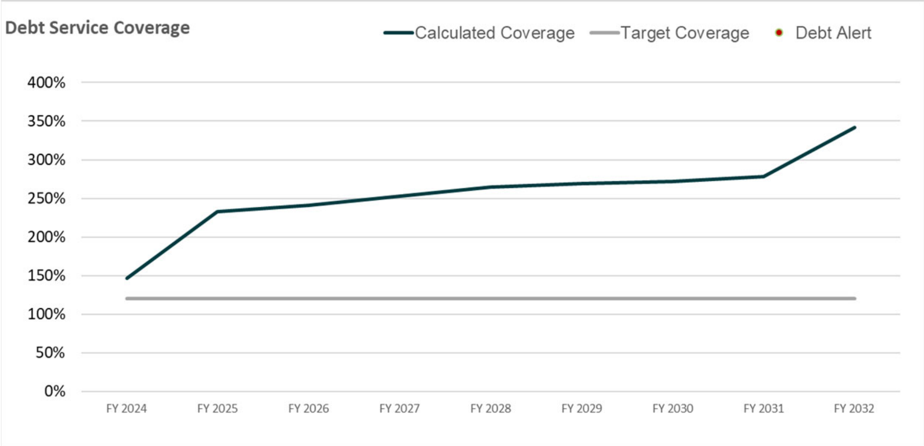
Scenario 2:

- **"Hybrid CIP"**
- **Scenario 1 CIP with reduced recycled water costs**
- **50% revenue adjustment in FY 2024, followed by 4% in FY 2025 – FY 2028, and 3% for each remaining year**
- **Assumes internal fund loans in FY 2023 of $873,610, and $1,000,000 in FY 2024**
- **Assumes proposed debt of $3M in FY 2024**

Scenario 2 (Hybrid CIP)

Fiscal Yearas	Revenue Adjustment	Proposed Debt	Proposed Interfund Loan
FY 2023	0%	$0	$873,610
FY 2024	50%	$3,000,000	$1,000,000
FY 2025	4%	$0	$0
FY 2026	4%	$0	$0
FY 2027	4%	$0	$0
FY 2028	4%	$0	$0
FY 2029	3%	$0	-$873,610
FY 2030	3%	$0	$0
FY 2031	3%	$0	-$1,000,000
FY 2032	3%	$0	$0





Wastewater Financial Plan Discussion

- The selected financial plan:
  - Fully funds the recommended Capital Improvement Program (CIP)
  - Omits most recycled water pumping and distribution capital until a more detailed recycled water study can be completed
  - Maintains the existing reserves policy (6-8 months of operating expenses)
  - Requires a $1M internal loan in FY 2024 to buffer a low cash balance
  - Maintains strong debt capacity, should borrowing be required in the future

- The primary financial driver to the wastewater utility is the operating cost environment.
  - The CIP program is a secondary driver

Agenda Item #11.1.

Rate Study Advisory Committee Meetings – Water Rates Discussion

- **14 June 2022** – Rates 101
- **12 Sep. 2022** – Community Priorities Open House
- **8 Nov. 2022** – Demand Pattern Analysis by Class
- **8 Dec. 2022** – Baseline Demand / New Normal Discussion
- **12 Jan. 2023** – Preliminary Alternative Rates Presented
- **16 Feb. 2023** – Conceptual Discussion on Additional Alternatives & Drought Rates
- **6 March 2023** – Rates Recommendations Open House
- **7 March 2023** – Revised Rate Options and Additional Alternatives

Key Objectives – Rate Structures

Financial Stability

- Maintain a high level of fixed charges
- Evaluate tiered water rates with few tiers
- Evaluate a fixed wastewater charge for Residential users

Conservation

- Aggressive tier breakpoints (smaller allocation in the lower tier(s))
- Maximize tiered rate differential to the greatest degree possible
- Higher level of variable rate revenues

Equity

- Evaluate several water rate classes (e.g., Residential, MFR, Irrigation, Commercial, etc.)
- Maintain numerous non-residential wastewater strength classes
- Follow-through evaluation of Inside/Outside City rates and elevation surcharges

Upcoming Dates

March 6	Community Open House Show Committee Recommendations to date and Final Rate Options
March 7	Final Rate Structure Alternatives Drought Rate Alternatives
March 14 City Council Meeting	Committee Recommendation/Options for Water and Wastewater Rates Water Drought Rates
March 28 City Council Meeting	Final Rate Study Presentation (w/Draft Report) Customer Notice Authorization Request

RAFTELIS

Thank you

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Jim Armstrong
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Nancy Phan
206.707.9150 / nphan@raftelis.com

Report to the City Council
Regular City Council - 28 Feb 2023

Agenda Section: **NEW BUSINESS**

Subject: **Presentation on Long Range Financial Plan Options and Council Discussion and Direction**

CEQA Determination: **Not a CEQA project**

Prepared By: April Mitts, Assistant City Manager

Reviewed By: Anil Comelo, City Manager

Approved By: Anil Comelo, City Manager

BACKGROUND

Recognizing the deterioration of the City's assets, the City Council set in motion a series of studies, working committees, and reports to categorize assets, provide cost estimates for replacement/repair, and develop funding strategies for the replacement/repair of assets/infrastructure. Combined, there is an estimated $155 million in Capital Improvement Plan (CIP) projects identified over the next 30-years in the following categories: Streets, Storm-drain, Water, Wastewater, and Civic facilities.

Similar to infrastructure, there has been underfunding over several years as it relates to City staffing which has resulted in reduced staffing and compensation being below market. The reduced level of staffing has resulted in delays in responding to customer calls/service requests, the inability of staff to complete projects in a timely fashion, high employee turnover, and low staff morale. While monetary compensation is a factor, another challenge includes right-sizing the organization to provide excellent customer service and having the appropriately skilled staff in place to accomplish the City Council directed goals and accumulated workplan. The pent-up work plan includes staffing to oversee the many infrastructure projects noted above. As a first step in addressing compensation deficiencies, City Council recently approved three year agreements with SHEA, POA, and the unrepresented executive and management employees affording for salary increases to get employees to 95% of market median. Executive staff had believed the this benchmark which included a guaranteed increase of 5% in FY 2022 plus an equity adjustment for classifications that were below the target, would be sufficient to achieve competitive parity with other agencies. Unfortunately, other agencies, responding to surging inflation, have given even higher increases, thus effectively negating the impact of the City's base salary increases. Without sufficient numbers of staff who receive competitive compensation, there will continue to be staff turnover, lack of progress on projects, and other service impacts. So, while the base salary increases were a great first step, further compensation enhancement, as well as increases in the number of employees, will need to be part of the long-term strategy to retain staff, recruit qualified employees, and ensure staffing stability. Therefore, additional investment is needed to address both infrastructure and staffing deficiencies.

On May 31, 2022, the City's Long-Range Financial Forecast (LRFF) was presented to the City Council. The LRFF provides current and long-range financial assessment of General Fund revenues, expenditures, fund balance, and emergency reserves. The objective is provide early financial assessment, identify any significant issues to be addressed, is updated annually, and illustrates trends over the next 10 years based on a series of assumptions.

As a follow-up/next step to the LRFF, staff committed to the development of a Long-Range Financial Plan (LRFP). The LRFP is intended to manage the City's financial integrity, including through a recession, while maintaining the high level of services and providing funding towards critical infrastructure. It will assist in aligning financial capacity with long-term service objectives and will address key financial strategy areas including:

- Ensure adequate funding for designed services
- Manage ongoing operating expenditures
- Provide for pensions and other long-term obligations
- Provide for contingencies
- Provide for capital improvements
- Maintain sufficient cash flow

Long-Range Financial Plan considerations include:

- Staffing and employment costs
- Efficiencies achieved by shared services agreements
- Potential public/private partnerships
- Revenue increases

To that end, on October 25, 2022, City Council authorized a Professional Services Agreement (PSA) with Baker Tilly to: (1) provide an independent review of the existing LRFF; (2) make recommendations to expand the existing LRFF to encompass the City's long-range capital investment needs and address future operational needs; and (3) identify budget strategies, such as revenue enhancements and cost efficiency options, that will support the City's fiscal sustainability efforts to ensure that its operational and long-term capital infrastructure investment needs are funded.

DISCUSSION

Since October 2022, Baker Tilly has completed the following:

1. Reviewed the current Long Range Financial Forecast (LRFF) and made recommendations to expand the existing forecast to encompass the City's long-range capital investment needs and current and future operations needs; and
2. Identified budget shortfalls in response to compensation, staffing needs, and capital improvement projects; and
3. Identified strategies that could be employed to ensure the long-term solvency of the City.

Each of these items are briefly summarized below and are addressed in greater detail in the attached report (Attachment 1).

Independent review of the existing LRFF

Baker Tilly reviewed the City's current General Fund LRFF to determine the basis and magnitude of the decisions to address any long-range gaps.

Working with City staff, Baker Tilly updated the forecast based on current trends, updated FY 2022 estimates, FY 2023 projections, and updated budget figures. Baker Tilly then reviewed the assumptions used in the original forecast and revised them based on current trends using historical City results and economic trends in the United States, California, and in the Napa Region. The key assumptions used in the original baseline forecast and the revised assumptions used to update the model are summarized in Attachment 1, Page 5, Table 2.

Using the revised assumptions, the baseline forecast indicates an annual deficit from FY 2023 to FY 2028 that would reduce General Fund reserves by $5.1 million without corrective action. Starting in FY 2029, it is estimated the General Fund would experience annual surpluses that could grow to $1.7 million per year due to the inclusion of the Farmstead property revenues and reductions in the CalPERS unfunded actuarial liability due to transition of employees established through the Public Employees' Pension Reform Act of 2012 (PEPRA) and the paydown of the unfunded liability through Additional Discretionary Payments (ADPs) through 2035 (Attachment 1, Page 8, Figure 2).

With the baseline forecast updated, Baker Tilly reviewed the City's identified unfunded or underfunded needs and capacity to meet the service delivery expectations of the community. These primarily include: deferred capital improvement projects, compensation adjustments to remain competitive in the marketplace, and appropriate staffing levels to meet the community's desired service levels and City Council's established priorities.

The total of unfunded/underfunded needs, including compensation adjustments, ideal staffing, and infrastructure in Year 1 is $5.3 million for the General Fund with a total deficit of $6.5 million (Table 1). If those needs were addressed starting in FY 2024, the impact on the General Fund is profound, increasing the City's annual deficit to $5.8 million in FY 2024 with the annual deficit reducing to $4.4 million per year by FY 2032 (Attachment 1, Page 10, Figure 3). Clearly these are not sustainable options and without corrective action, the city's reserves would be depleted below the City's minimum reserve level in FY 2024, and would be fully depleted by FY 2023. This deficit demonstrates the need for budget strategies to address the City's long-range operational and capital needs.

Table 1: Estimated Annual Budget Shortfall (Year 1)

Category	Estimated Annual Shortfall
General Fund	
CIP - Streets*	$1,787,000
CIP - Stormwater	$ 324,000
CIP - Civic**	$ 413,000
Staffing***	$2,776,000
General Fund Estimated Shortfall	*$5,300,000*
Other Funds	
CIP - Water****	$ 25,000
CIP - Wastewater****	$ 11,100
Staffing***	$1,154,000
Other Funds Estimated Shortfall	*$1,190,100*
Total Estimated Annual Shortfall	***$6,487,751***

* Costs to increase CPI to 80% based on 2021 study
** Includes annual maintenance and larger CIP projects, excludes: 1572 Railroad, Scout Hall, New City Hall
*** Ideal staffing at market
**** Assumes adoption of new water and wastewater utility rates

The estimated annual shortfall represents 20% of the current budget for all funds, excluding CIP.

Identify Budget Strategies to Address Deficits

Based on the updated Long Range Financial Forecast, Baker Tilly conducted an independent analysis of the City's revenues and costs of service delivery relative to the General Fund to develop options, or strategies, for addressing the challenge. The strategies were developed along a continuum and are broken down into four categories:

1. *Expenditure Controls and Cost Shifts* - Reducing expenses or shifting the cost burden away from the General Fund.
2. *Service Delivery Changes* - Changing the way that services are delivered, either through contracting for services, insourcing services from other agencies, or through public-private partnerships.
3. *Revenue Enhancements* - Increasing the resources available to pay for services through new or increased revenues.
4. *Service Level Reductions* - Service level reductions that must be implemented to the extent that the items above are not able to be implemented or do not sufficiently address the fiscal gap.

The strategies were developed based on a combination of factors, including Baker Tilly's experience and approaches used by other cities through California and in other parts of

the country as they consider options to address structural deficits. Baker Tilly also identified ideas through conversations with the City's leadership team and department directors. Several dozen potential strategies were identified and Baker Tilly conducted a high-level analysis of those strategies that were determined to have a moderate to high fiscal impact (greater than $350,000) as shown in Attachment 1, Pages 12-16, Tables 4, 5, and 6.
Based on the foregoing, Baker Tilly has prepared four scenarios for Council's consideration that address the identified fiscal gaps. Each of these scenarios would allow the General Fund to maintain an appropriate level of reserves, eliminate identified structural gaps (deficits), address capital improvement needs, and ensure the viability of the City's operations throughout the period included in the fiscal model.

The scenarios described in the report do not include any service level or expenditure reductions. St. Helena elected officials and appointed leadership have indicated a desire to not only maintain service levels, but to enhance the level of service provided by the City. Suggesting service level reductions would run counter to that desire. Rather, the scenarios described are designed to either maintain or enhance service delivery, especially as it relates to unfunded/underfunded capital needs. Attachment 1, Pages 18-21, Table 7 and Figures 4 through 7.

These budget scenarios are provided as examples of the types of strategies that the Council could consider to address the long-term fiscal gap. The Council could choose any of these scenarios or develop alternative scenarios that include varying types of strategies to resolve the fiscal gap.

Recommended Action
Council Discussion and Direction Related to the Presentation by Baker Tilly on Long Range Financial Plan Options.

FISCAL IMPACT
There is no fiscal impact for the receipt of this report.

Depending on Council feedback and direction, the City may engage Baker Tilly in an additional optional activity that will prepare detailed analysis on Council selected budget strategies. If it is determined the additional activity is desired, a contract amendment and budget adjustment will be brought to City Council for approval.

ATTACHMENTS
Baker Tilly Long Range Financial Plan SH Memo 022423

To:	Anil Comelo, City Manager April Mitts, Assistant City Manager Mandy Kellogg, Administrative Services Director City of St. Helena
From:	Steve Toler, Director Sam Lieberman, Senior Manager Steve Mermell, Special Advisor Jessica Oliphant, Consultant
Subject:	Long Range Financial Forecast Budget Strategies
Date:	February 21, 2023

Contents

Executive Summary

Baker Tilly has been working with the City of St. Helena during the past several months to identify potential budget strategies to address the anticipated structural deficit in the City's General Fund and identify sources of funding for much needed reinvestment in capital projects. This report details actions City leaders can take to ensure that reserves stay at or near the reserve goal of 30% of annual operating expenditures. It provides a variety of strategies that could be employed to ensure the long-term solvency of the City.

The City's current baseline General Fund Financial Forecast, presented on May 31, 2022, projects that through Fiscal Year (FY) 2032, the General Fund will have sufficient resources to meet operating expenses and maintain an ending fund balance in excess of the adopted policy reserve. However, the City's more realistic scenario, presented as Scenario 3, showed a stark contrast which included modest investment in civic and streets infrastructure. After carefully analyzing these projections, several factors indicate that the more likely scenario is that the General Fund will face increasing financial stress, more so than indicated in Scenario 3.

The current baseline model projects that over the next four fiscal years, the General Fund will suffer an annual loss in net income. Beginning in FY 2027 the projections in the current model improve. However, this is based on the following assumptions: General Fund revenues will grow at a rate of 5% annually, General Fund expenses grow at a rate of only 4% overall, the Farmstead Hotel Development begins generating revenue for the City in FY 2027, and no additional investment in civic and streets infrastructure. Given what is known about upward pressure on personnel and other operating costs, the 4% projected growth rate is not realistic. Moreover, the current model did not anticipate any sort of economic downturn or recession.

Baker Tilly collaborated with City staff to revise the assumptions on which the current model is based. The revised forecast indicates an annual deficit from FY 2023 to FY 2028 that would deplete General Fund reserves without corrective action. Starting in FY 2029, the General Fund would experience annual surpluses however, as stated above the surplus is on the baseline only and does not include staffing needs and infrastructure – discussed below.

In addition, over the past few years, numerous capital improvement and infrastructure needs have been identified totaling into the tens of millions of dollars for which General Fund support will be needed. In the past, these additional expenses were not incorporated into the forecast because of the magnitude of the costs on an already burdened General Fund operation.

Furthermore, City leaders have identified the need to increase staffing levels to support service delivery and, due to a number of factors including location and high cost of living, the City has become less attractive as an employer and therefore needs to ensure compensation is competitive to attract and retain staff. The total costs to improve capital infrastructure, increase staffing, and ensure compensation is competitive are estimated at nearly $5.3 million per year.

To address the fiscal gap and support efforts to improve capital infrastructure, Baker Tilly has identified 15 budget strategies that would have an ongoing fiscal impact on the General Fund of $300,000 or more. These strategies are presented in four budget scenario packages for Council's consideration. The first scenario would strive to maintain existing service levels while addressing the need to make employee compensation and benefits more competitive in today's marketplace. The other three scenarios would build on the competitive compensation adjustments and allow City leaders to address capital needs and provide additional staffing capacity to meet service delivery expectations of the community. The four scenarios are shown in Table 1 with additional detail provided throughout the remainder of this memo.

Table 1. Potential Budget Strategy Scenarios

Scenario	Budget Strategies	Ongoing Financial Impact	One-time Financial Impact	Service Level Impact
1	• Implement a gross receipts-based business license tax at 0.8%.	$2.5 million	N/A	• Maintains current service levels while providing additional capacity in future years
2	• Implement a gross receipts-based business license tax at 1%. • Increase the local transactions and use (sales) tax by 0.5%.	$5.5 million	N/A	• Maintains current service levels while providing additional capacity in future years • Provides capacity to address unfunded/underfunded needs
3	• Implement a gross receipts-based business license tax model at 1%. • Implement a real property transfer tax of 1.5% and create a City Charter. • Sell surplus property.	$4.7 million	$8 million	• Maintains current service levels while providing additional capacity in future years • Provides capacity to address unfunded/underfunded needs
4	• Increase the transient occupancy tax by 1%. • Increase the local transactions and use (sales) tax by 0.5%. • Implement a library parcel tax of $313. • Sell surplus property.	$4 million	$8 million	• Maintains current service levels while providing additional capacity in future years • Provides capacity to address unfunded/underfunded needs

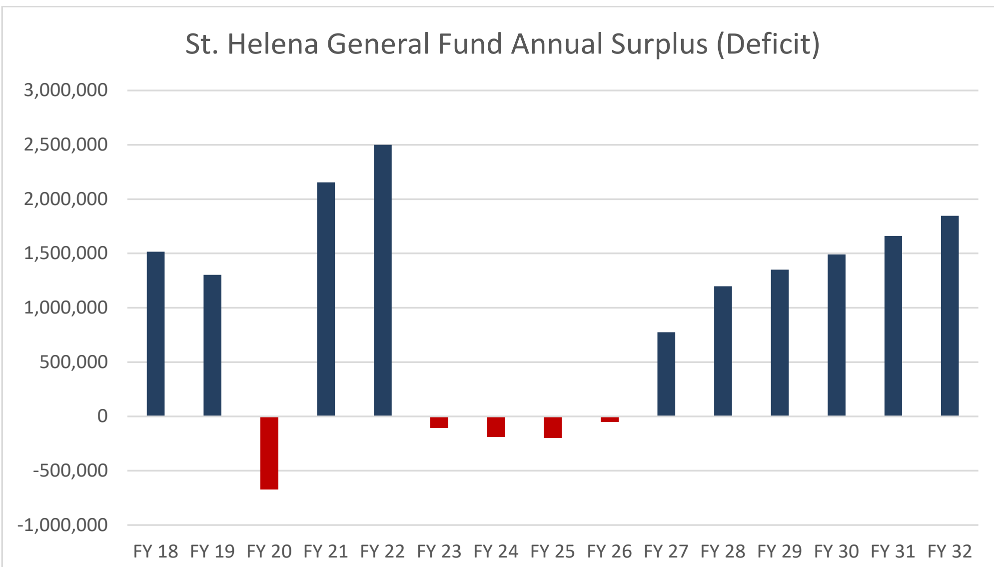
Long-Range Financial Forecast

Baker Tilly reviewed the City's existing long-range General Fund Financial Forecast to determine the basis and magnitude of the decisions to address any long-range gaps.

Original Baseline Forecast

The original baseline forecast provided by staff showed that General Fund operations were expected to largely break even over the 10-year period with modest (less than $200,000) deficits from FY 2023 to 2026, followed by years of surpluses that increased to $1.8 million by FY 2032, as depicted in Figure 1. The forecast assumed that the Farmstead hotel property would be developed and start operations in FY 2027, which would generate an estimated additional $950,000 in transient occupancy (hotel) tax (TOT), property tax and sales tax in the first full year.

Figure 1. Original Long-Range General Fund Forecast – dated August 29, 2022



Key Assumptions Used in Developing the Original and Updated Forecasts

Working with City staff, Baker Tilly updated the forecast based on current trends, updated FY 2022 unaudited financials, and FY 2023 projections and updated budget figures. We then reviewed the assumptions used in the original forecast and revised them based on current trends using historical City results and economic trends in the United States, California, and in the Napa Valley region. The key assumptions used in the original forecast and the revised assumptions used to update the model are summarized in Table 2 below.

Table 2. Key Assumptions Used in Developing the Original and Revised General Fund Forecast

Category	Original Forecast	Revised Forecast	Comments
RESERVES			
General Fund Balance at June 30, 2022	$10.42 million based on estimated FY 2022 results	$12.1 million based on updated unaudited estimated FY 2022 results	N/A
Reserve target	Minimum target reserve policy of 30% of annual operating expenditures	Same as Original Forecast	City policy is 30% of annual operating expenditures plus transfers. GFOA minimum is 17% (two months). We concur with the City's higher threshold based on a higher mix of economically volatile revenue sources on which the City relies (e.g., sales tax, TOT).
REVENUES			
Property tax	4% growth based on FY 2023 projections	4.5% growth based on FY 2023 projections and historical results	A higher property tax growth is consistent with expectations in other communities and continued strong real estate market in Northern California, in spite of higher interest rates, which are expected to taper down in the coming years.
Sales tax	5% growth based on FY 2023 projections	Same	N/A
Transient Occupancy Tax (TOT)	5% growth based on FY 2023 projections; addition of Farmstead hotel development in FY 2027	Same	City staff indicate that the new hotel development is a realistic assumption to include in the baseline forecast.
Other revenues (e.g., franchise fees, licenses and permits, charges for services, etc.)	7.1% growth based on FY 2023 projections and historical averages	4% growth based on FY 2023 projections	Baker Tilly believes that a lower assumption is prudent because historical averages included some one-time increases that will not be sustainable year over year in the future.
Recessionary assumptions	None	Moderate recession primarily impacting sales tax, TOT, charges for services and development fees starting in FY 2027 with a three-year recovery period	It is prudent to incorporate recessionary impacts in long-range forecasts. California averages one moderate recession every seven years, which has an overall impact on City revenues of approximately 10%, with a three-year recovery period.

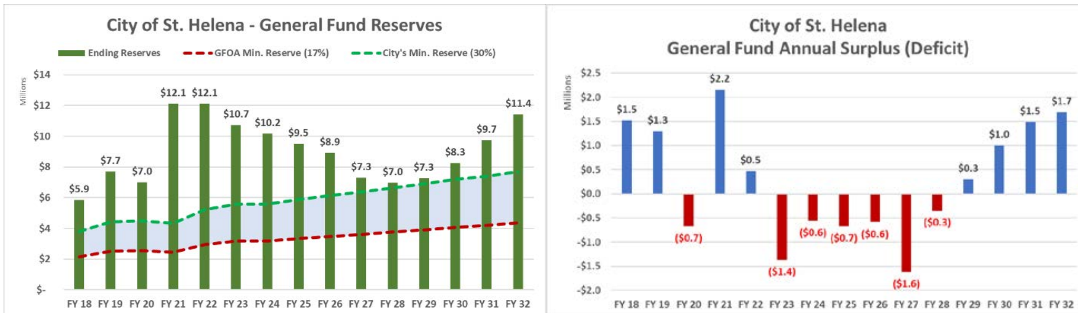
Category	Original Forecast	Revised Forecast	Comments
EXPENDITURES			
Staffing levels	Existing levels based on approved positions	Same	N/A
Salaries and salary-based benefits	5% placeholder COLA increases	Same	Given this inflationary market and existing MOUs, a 5% placeholder is prudent. Note that this category also includes the CalPERS normal cost assumptions based on the revised discount rate assumptions of 6.8% investment return.
Health insurance	5% growth based on FY 2023 projections and existing staff benefit elections	Same	A 5% assumption is reasonable based on latest information from the CalPERS Public Employees' Medical and Hospital Care Act (PEMHCA) program.
CalPERS unfunded actuarial liability (UAL)	6% growth in FY 2025, and 3% growth thereafter based on FY 2023 UAL amount, with annual discretionary payments (ADP) totaling $450,000 per year through FY 2035	Based on latest actuarial analysis including the 6.1% investment portfolio loss in FY 2022, and 6.8% long-term investment returns, including ADPs of $450,000 per year through FY 2035	We used the CalPERS Pension Outlook Tool on the CalPERS actuarial website to run the analysis for UAL for future years.
Services and supplies	5% growth based on FY 2023 budget	5% growth in FY 2024 and 2025; 4% growth per year thereafter	The inflationary pressures are expected to ease by FY 2026 based on most economist expectations, returning to a normal inflationary index of approximately 4% in the long-term.
Maintenance	1% growth based on FY 2023 budget	5% growth in FY 2024 and 2025; 4% growth per year thereafter	Due to increase in labor costs, we believe that the long-term assumptions should match those of the services and supplies category.

Category	Original Forecast	Revised Forecast	Comments
Taxes, insurance, and other contributions	3% growth based on FY 2023 budget	10% growth in FY 2024; 7% growth in FY 2025, 6% growth in FY 2026, 5% growth in FY 2027, and 4% growth in FY 2028 and thereafter	Insurance premiums are a large part of this line item. Due to increases in insurance premiums resulting from wildfire losses and cybersecurity threats, the assumptions are increased through FY 2027. Thereafter, increases are based on long-term inflationary expectations discussed above.
Debt service	Projected based on known debt service costs; no new debt obligations	Same	N/A
Capital outlay	2% growth based on FY 2023 budget; only includes capital equipment acquisition costs; no additional capital improvement project (CIP) funding	5% growth in FY 2024 and 2025 based on FY 2023 budget; 4% growth thereafter	Inflationary growth expectations mirror the services and supplies category.
Transfers to other funds	Various transfers based on ongoing expectations	Same	Ongoing transfers include transfers to Flood Control Capital Reserve, Fourth of July Fund, Streets CIP for maintenance of effort for Measure T, Measure T Class 1 Trails, and retiree medical funding.

Updated Baseline Forecast

Using the revised assumptions provided in Table 2, Baker Tilly updated the City's forecast. The baseline forecast indicates an annual deficit from FY 2023 to FY 2028 that would reduce General Fund reserves by $5.1 million without corrective action. Starting in FY 2029, however, the General Fund would experience annual surpluses that could grow to $1.7 million per year. This is due to the inclusion of the Farmstead property revenues (as was the case in the original forecast) and reductions in the CalPERS unfunded actuarial liability due to transition of employees to the reduced benefits established in the Public Employees' Pension Reform Act of 2012 (PEPRA) and the paydown of the liability through ADPs through 2035. Figure 2 displays the projected impacts of the updated baseline forecast on reserves and the annual surplus (deficit) in each year. Reserves stay above the City's 30% minimum reserve throughout the forecast period. It is important to note, however, that the updated baseline forecast presented in Figure 2 does not address unfunded/underfunded infrastructure and staffing which is discussed further in the next section of this memo.

Figure 2. Updated Baseline General Fund Forecast



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Providing Capacity by Addressing Impacts from Unfunded/Underfunded Needs

With the baseline forecast updated, Baker Tilly reviewed the City's identified unfunded or underfunded needs and capacity to meet the service delivery expectations of the community. These needs are summarized in the three areas discussed below.

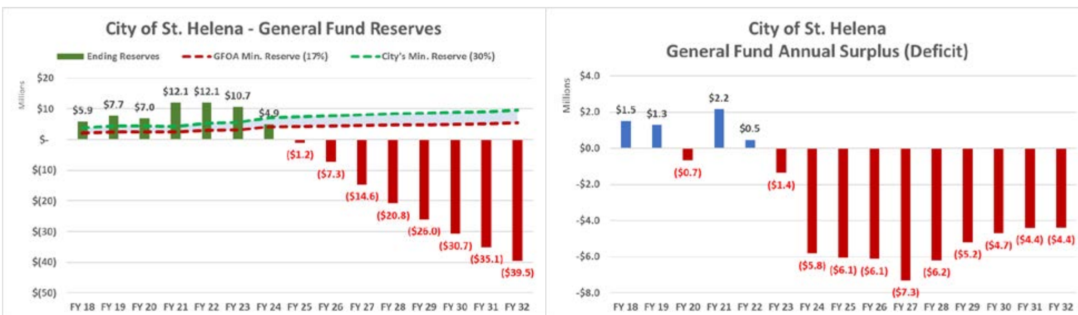
1. **Compensation adjustments.** The City is challenged with recruiting and retaining talent to fill necessary positions for basic service delivery. Initial estimates indicate that current compensation and benefits are well below market. Addressing this would require additional General Fund resources totaling $1.7 million per year if implemented in FY 2024, which would bring City positions to within 75% of the variance between existing compensation levels and the median based on the compensation survey.
2. **Ideal staffing levels.** City staff conducted an assessment of necessary positions to meet the community's desired service levels and the City Council's established priorities. These positions include a grants coordinator, code compliance staff, administrative assistants/analysts, one additional police officer, and maintenance workers. The cost of the eight new positions and the unfreezing of one position to address these staffing needs would be approximately $1 million per year to the General Fund.
3. **Capital funding needs.** The City has assessed its unmet capital funding needs in five areas: streets, stormwater, civic facilities, water, and wastewater. Water and wastewater capital projects are funded by utility charges with the City Council having the authority to establish rates that cover both operational and capital costs. The other three capital areas could require General Fund sources. Based on the needs to address these three infrastructure areas, the City staff anticipates unfunded obligations totaling over $2.5 million per year through FY 2028, tapering down to over $2 million per year starting in FY 2029 and beyond. The unfunded capital and staffing needs are presented in Table 3 below.

Table 3. Summary of Underfunded Capital and Staffing Needs – Year 1

Category	Estimated Annual Shortfall Year 1
Streets CIP	$1,787,000
Stormwater CIP	$324,000
Civic CIP	$413,000
Staffing	$2,776,000
Total Shortfall –General Fund	**$5,300,000**
Water CIP	$25,000
Wastewater CIP	$11,000
Staffing – Other Funds	$1,154,000
Total Shortfall – All Funds	**$6,490,000**

As indicated in Table 3, the total General Fund unfunded/underfunded needs including compensation adjustments, ideal staffing, and infrastructure in Year 1 is $5.3 million. If those needs were addressed starting in FY 2024, the impact on the General Fund is profound, increasing the City's annual deficit to $5.8 million in FY 2024 with the annual deficit reducing to $4.4 million per year by FY 2032. Without corrective action, the City's reserves would be depleted below the City's minimum reserve level in FY 2024, and would be fully depleted by FY 2025, as displayed in Figure 3. Clearly these are not sustainable options without corrective action and demonstrate the need for budget strategies to address the City's long-range operational and capital needs.

Figure 3. Revised General Fund Forecast Including Additional Capacity and Addressing Unfunded/ Underfunded Needs



Budget Strategies

To address the deficit noted in the previous section, Baker Tilly conducted an independent analysis of the City's revenues and costs of service delivery relative to the General Fund to develop options, or strategies, for addressing the challenge. The strategies are provided herein. They were developed along a continuum that included:

A. Expenditure controls and cost shifts
Reducing expenses or shifting the cost burden away from the General Fund
B. Service delivery changes
Changing the way that services are delivered, either through contracting for services, insourcing services from other agencies, or through public-private partnerships
C. Revenue enhancements
Increasing the resources available to pay for services through new or increased revenues
D. Service level reductions
Service level reductions that must be implemented to the extent that the items above are not able to be implemented or do not sufficiently address the fiscal gap

Arraying ideas along such a continuum reflects the priority any organization would have for preserving service delivery to the maximum extent possible consistent with maintaining solvency.

The strategies were developed based on a combination of factors, including Baker Tilly's experience about approaches used by other cities throughout California and in other parts of the country as they consider options to address structural deficits. Baker Tilly also identified ideas through conversations with the City's leadership team and department directors. Several dozen potential strategies were identified. Baker Tilly conducted a high-level analysis of those strategies that were determined to have a moderate to high fiscal impact (greater than $350,000) as shown in the sections below. A list of additional strategies that were contemplated but not analyzed because of unknown or minimal fiscal impact are shown in Attachment A.

Strategies within the continuum are presented in tables that show the identified budget strategy, a short description of the strategy, the estimated fiscal impact, and considerations the City leadership will have to take into account when determining implementation feasibility.

A. Expenditure Controls and Cost Shifts

Table 4 details the expenditure control and cost shift strategy.

Table 4. Expenditure Control and Cost Shift Strategy

Budget Strategy	Description	Fiscal Impact	Implementation Considerations
Shift a portion of health insurance costs to employees	The City provides full medical coverage to employees and their spouses. An option would be to share a portion of the health care costs with employees through either 1) percentage cost allocation to the employee, or 2) limitation on coverage level (employee only vs. full family) or a cap on amount the City will cover. The estimate is based on 20% cost sharing with employees.	$260,000	• Requires meet and confer obligation with affected labor groups. • May erode competitive compensation and benefits compared to other local government agencies to recruit and retain qualified workers. • Cost sharing is not uncommon among other agencies and private sector employers.

B. Service Delivery Changes

During the course of our work, we identified 12 potential budget strategies for consideration that would have allowed for service delivery changes while maintaining existing service levels. However, based on our initial analysis, it did not appear that most of the 12 potential budget strategies would have yielded a moderate or significant level of cost savings and other strategies such as how law enforcement and fire services were provided to the community have an unknown fiscal impact which would be determined depending on desired services levels. These items are listed in Attachment A.

C. Revenue Enhancements

Table 5 outlines the revenue enhancement strategies that were identified and analyzed.

Table 5. Revenue Enhancement Strategies

Budget Strategy	Description	Fiscal Impact	Implementation Considerations
Allow development of new hotels to increase transient occupancy tax (TOT) revenue	St. Helena currently has one established hotel and approval for one additional hotel (Farmstead). The current TOT rate in St. Helena is 15% (12% TOT, 1% Affordable Housing, and 2% Tourism Improvement District (TID)). Estimate of increased revenues are for building an additional hotel with 100 rooms at 80% occupancy and a rate of $350 per night.	$1,300,000	• Developers may seek tax incentives for building a new hotel.

Budget Strategy	Description	Fiscal Impact	Implementation Considerations
Increase TOT rate by 1%	St. Helena visitors staying in the local hotel pay TOT based on a total rate of 15% (12% TOT, 1% Affordable Housing, and 2% Tourism Improvement District (TID)). An increase in the TOT rate of 1% would yield additional revenues totaling $450,000 based on current long-term TOT projections.	$450,000	• A general purpose TOT increase requires majority voter approval at an election where Council seats are on the ballot unless a fiscal emergency is declared whereby the measure can proceed during a non-election season. • Pushback from local hotels • TOT rate increases are generally supported by voters.
Establish a Parks Maintenance District	Forming a Maintenance Assessment District would enable the City to shift a portion of parks maintenance costs to property owners and provide a source of funding to enhance service levels.	$300,000 to $500,000	• Requires approval of property owners to be assessed. May take a year or more to implement. City would still be required to provide "general benefit" financial contributions
Increase local transactions and use (sales) tax by 0.5%	The City currently levies a 0.5% local sales tax. For every 0.5% increase to the local sales tax, St. Helena would realize an additional $2.3 million in revenue.	$2,300,000	• A general purpose sales tax increase requires majority voter approval at an election where Council seats are on the ballot unless a fiscal emergency is declared whereby the measure can proceed during a non-election season. A specific purpose sales tax increase requires two-thirds voter approval and may be taken to voters at any time. • City leadership will need to act before other overlapping jurisdictions add additional local sales taxes that would reach the cap of 2% of local sales taxes in any one jurisdiction. Otherwise, the City might be required to seek legislative relief to be allowed to exceed the cap.

Budget Strategy	Description	Fiscal Impact	Implementation Considerations
Implement a utility user tax	The Utility User Tax (UUT) may be imposed by a city on the consumption of utility services, including (but not limited to) electricity, gas, water, sewer, telephone (including cell phone and long distance), sanitation and cable television. Approximately, 160 cities in California have some form of UUT in place.	$450,000 to $787,500 (Varies based on rate and affected utilities. Range is based on per capita rates of $100 to $175.)	• A general purpose UUT requires majority voter approval at an election where Council seats are on the ballot unless a fiscal emergency is declared whereby the measure can proceed during a non-election season.
Implement a Library parcel tax	The Library in St. Helena is currently funded by the General Fund. A parcel tax could be put before the voters to support Library operations and remove the burden from the General Fund. St. Helena has 3,836 parcels. General Fund expenditures for the Library are just over $1.2M. To generate that amount from a parcel tax would require a $313 parcel tax.	$1,200,000	• A parcel tax would need to be approved by two-thirds of voters and may be taken to voters at any time.
Review and update business license tax (BLT)	The City's current BLT model is based on a "per-unit" basis for various business categories (e.g., employees, rental units, etc) or a flat rate for other business categories. Some cities use a gross receipts model based on sales attributable to the jurisdiction. Current annual revenues total $101,000. Using a gross-receipts model, a tax rate of 0.1% would yield approximately $320,000 in additional net revenues to the City, which might actually be higher when including non-sales taxable business (e.g., professional services, food products, etc.).	$3,200,000 based on 1% tax rate (net of annual enforcement costs)	• Modeling the tax to generate the appropriate revenues and to address equity and fairness across business sizes and sectors will be important. Changes in the BLT model require a majority vote where Council seats are on the ballot unless a fiscal emergency is declared whereby the measure can proceed during a non-election season. • City would need to consider administrative support to assist with public information and education during the transition, and enforcement, the latter of which can be outsourced through a tax consulting firm that might cost $50,000 per year for enforcement costs.

Budget Strategy	Description	Fiscal Impact	Implementation Considerations
Implement real property transfer tax	Charter cities have the authority to implement a real property transfer tax at whatever rate the local jurisdiction wants to implement, subject to voter approval. Napa County Assessor's Office currently assesses the tax at a rate of 0.11%. The City could implement this option only if it were to change from a general law city to a charter city. Based on current tax revenues received by the City through the County, a 1% tax rate would yield $1.5 million in additional annual revenues, but those revenues will vary based on trends in the housing market and property turnover.	$2,250,000 based on a 1.5% tax rate. One-time costs approaching $500,000 might be incurred to draft a Charter and accompanying ballot measures for voter consideration.	• Requires an election and majority vote to change from a general law city to a Charter city. This would be taken to voters during a general election where Council seats are also up for election. • Charter measure would be accompanied by a real property transfer tax measure, that is a general law tax subject to majority voter approval.
Sell surplus property	The City has several parcels of land that are vacant and could be sold for private development. Staff estimates potential property values of over $8 million.	$8,000,000 as a one-time revenue source	• Sale of surplus property must fulfill the provisions required under the Surplus Land Act. • This is a one-time revenue source that should only be used to restore General Fund reserves until which time ongoing revenues sources are found to address the gap. • Future decisions could be made to use the funds for one-time needs.

As indicated in Table 5, most of the revenue enhancement strategies that would have a moderate or high level of fiscal impact require new or increased tax revenues. Every one of those items would be subject to the provisions of Proposition 218 and Proposition 26 that govern the requirements to impose, extend or increase a tax within a jurisdiction. Attachment B provides slides from a presentation that Baker Tilly has used in the past with cities to educate them about the requirements of Propositions 218 and 26. Baker Tilly encourages the City to learn more about the provisions of these regulations by consulting legal counsel as well as the information provided in the League of California Cities' Propositions 26 and 218 Implementation Guide[1].

D. Service Level Reductions

Service level reduction options are detailed in Table 6.

[1] The League of California Cities' Propositions 26 and 218 Implementation Guide may be found on the League's website at the following location: https://www.calcities.org/resource/propositions-26-and-218-implementation-guide

Table 6. Service Level Reduction Strategies

Budget Strategy	Description	Fiscal Impact	Implementation Considerations
Reduce normal work hours	Reduce all non-public safety staff to 35 hours per week.	$550,000 to $700,000 based on how many positions can truly be reduced	• Will likely increase staff turnover and difficulty in hiring.
Eliminate library and repurpose facilities	Closure of the library would reduce General Fund expenses by approximately 5% and result in the elimination of 5.98 FTE. Closing the library would result in the City forgoing revenues received from the Friends of the Library and Library Foundation, state grants and trust funds. If this were implemented, the City would need to determine how to repurpose the library facilities for other uses, which could include a permanent City Hall location, lease, or considered surplus property for sale/disposition.	$900,000	• The library is popular with residents, and this would be a politically difficult reduction. If closed, people seeking library services would need to visit one of the other area libraries. The City leaders would need to determine what to do with the facility.
General Fund expenditure reductions of 10% of annual operating costs	This strategy would require a careful analysis and prioritization of services to determine where services may be cut. A $1.8 million reduction in General Fund expenditures based on FY 2024 projected expenditures, if implemented through staff reductions, would require a nearly 16% reduction in workforce. Such reductions might include significant reduction in police services requiring additional mutual aid for Type 1 calls, significant decreases to library hours, reduced street and parks maintenance, and reduced administration.	$1,800,000 based on FY 2024 projected expenditures	• Impacts of workforce reduction would require notice to labor groups and layoffs in accordance with MOUs and personnel rules. • Unemployment costs will increase and would need to be factored into the determination of fiscal impact in earlier years based on implementation date.

Budget Scenario Packages

As indicated earlier, the baseline forecast, which excludes any of the items to provide additional capacity to enhance services and/or address unfunded/underfunded needs, would not require any new budget strategies, as long as the City Council were willing to waive its minimum target reserve threshold policy of 30% of annual expenditures during FY 2027 to FY 2030. Baker Tilly believes this would be a reasonable approach to maintain existing service levels.

However, infrastructure needs, additional staffing to address unfunded/underfunded needs, and staff vacancies and recruitment challenges will continue to threaten the City organization's ability to deliver the existing services and meet the demand for expanded service unless addressed. As indicated earlier, these adjustments would impact the baseline forecast by increasing annual General Fund costs by $5.3 million per year, which will grow based on cost-of-living adjustments (COLAs) and benefit increases.

Based on the foregoing, Baker Tilly has prepared four scenarios for Council's consideration that address the identified fiscal gaps. Each of the scenarios would allow the General Fund to maintain an appropriate level of reserves, eliminate identified structural gaps (deficits), and ensure the viability of the City's operations throughout the period included in the fiscal model.

The scenarios described below do not include any service level or expenditure reductions. St. Helena elected officials and appointed leadership have indicated a desire to not only maintain service levels, but to enhance the level of service provided by the City. Suggesting service level reductions would run counter to that desire. Rather, the scenarios described below are designed to either maintain or enhance service delivery, especially as it relates to unfunded/underfunded capital needs.

These budget scenarios are provided as examples of the types of strategies that Council members could consider addressing the long-term fiscal gap. The Council could choose any of these scenarios or develop alternative scenarios that include varying types of strategies to resolve the fiscal gap. The scenarios included in this report employ different strategies and make assumptions with respect to the timing of implementing each strategy.

As a reminder, the updated baseline forecast projected annual deficits from FY 2024 to 2028, with reserves staying above the City's minimum reserve target of 30%.

Table 7 summarizes the four scenarios provided for consideration as the Council determines the approaches it wants to take to address the indicated fiscal gaps.

Table 7. Budget Scenarios to Address Fiscal Gaps

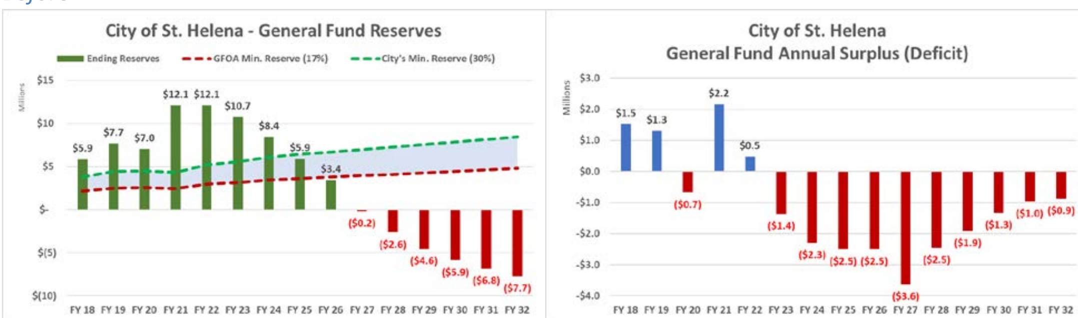
Scenario	Description
ADDRESSING COMPETITIVE COMPENSATION ADJUSTMENTS ONLY	
Scenario 1 – Business license tax with additional capacity in future years **$2.5 million in annual additional resources**	• Include funding for compensation adjustments ($1.7 million) in FY 2024. • Implement gross receipts-based business license tax model with a tax rate of 0.8% generating $2.5 million annually starting in FY 2025. • Provides additional annual capacity of over $2 million by FY 2031 to address other unfunded/underfunded needs.
PROVIDING CAPACITY IN ALL UNFUNDED/UNDERFUNDED NEED AREAS	
Scenario 2 – Providing capacity: business license tax; local transactions and use (sales) tax **$5.5 million in annual additional resources**	• Include funding for compensation adjustments ($1.7 million) in FY 2024. • Implement gross receipts-based business license tax model with a tax rate of 1.0% generating $3.2 million annually starting in FY 2025. • Increase local transactions and use (sales) tax rate from 0.5% to 1.0% generating $2.3 million annually in FY 2025. • Include funding for all capital funding need requirements ($2.5 million) in FY 2025 upon passage of business license and local sales tax measures. • Include funding for ideal staffing levels ($1 million) in FY 2026. • Provides additional annual capacity of approximately $2.8 million in FY 2031 to address other unfunded/underfunded needs. • Waive City's minimum reserve target policy of 30% for FY 2027 to 2029 and implement the GFOA recommended minimum 17% reserve policy during this period.
Scenario 3 – Providing capacity: business license tax; Charter City; real property transfer tax; sell surplus property **$4.7 million in annual additional resources** **$8 million one-time additional resources**	• Include funding for compensation adjustments ($1.7 million) in FY 2024. • Implement gross receipts-based business license tax model with a tax rate of 1.0% generating $3.2 million annually starting in FY 2025. • Include funding for all capital funding need requirements ($2.5 million) in FY 2025 upon passage of business license tax measure • Include funding for ideal staffing levels ($1 million) in FY 2025 upon passage of real property transfer tax. • Implement real property transfer tax rate of 1.0% totaling $1.5 million in annual revenues, subject to creation of a City Charter, by FY 2026. • Sell surplus property totaling $8 million in FY 2027 • Provides additional annual capacity of approximately $2 million in FY 2031 to address other unfunded/underfunded needs. • Waive City's minimum reserve target policy of 30% for FY 2026 to 2029 • and implement the GFOA recommended minimum 17% reserve policy during this period.
Scenario 4 – Providing capacity: TOT rate increase; local sales tax; library parcel tax; sell surplus property **$4 million in annual additional resources** **$8 million one-time additional resources**	• Include funding for compensation adjustments ($1.7 million) in FY 2024. • Increase the TOT rate from 12% to 13% generating $450,000 annually in FY 2025. • Increase local transactions and use (sales) tax rate from 0.5% to 1.0% generating $2.3 million annually in FY 2025. • Implement library parcel tax of $313 per parcel generating $1.2 million in ongoing revenues by FY 2026. • Include funding for ideal staffing levels ($1 million) in FY 2026. • Sell surplus property totaling $8 million by FY 2027. • Include funding for all capital funding needs ($2.5 million) in FY 2027.

Figures 4 to 7 below present the before and after impacts on General Fund reserves and the annual surplus (deficit) if the strategies identified in Table 8 were implemented.

Scenario 1 – Business license tax with additional capacity in future years

*Figure 4. **Scenario 1** – Before and After Graphs of Reserves and Annual Surplus (Deficit)*

Before

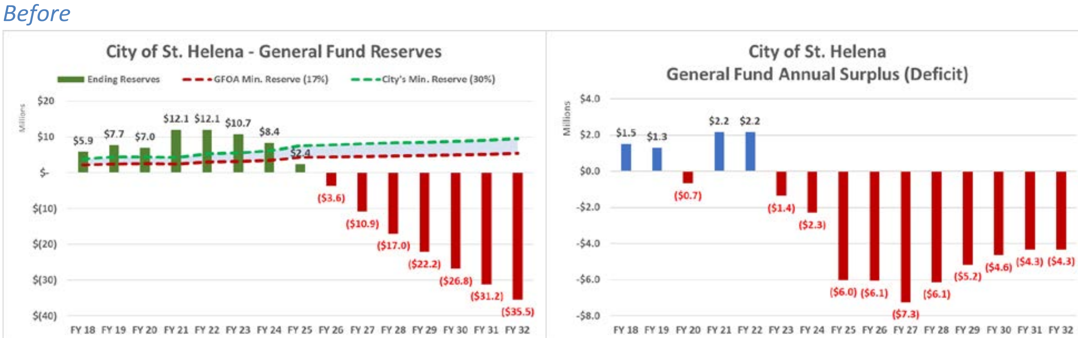


After

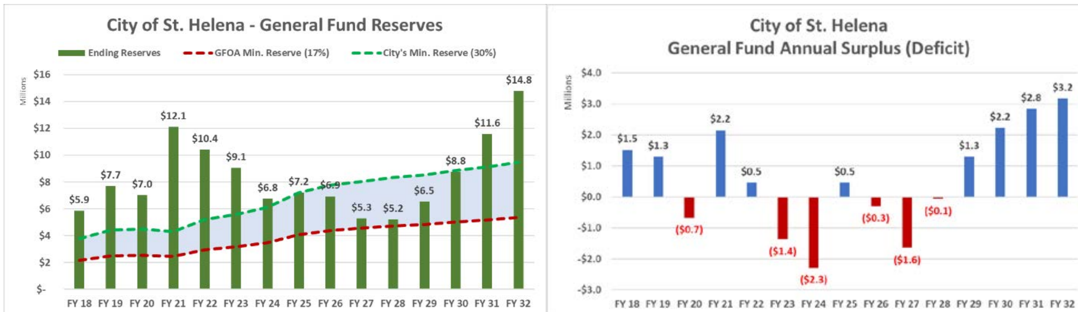
Scenario 2 – Providing capacity: business license tax; local transactions and use (sales) tax

*Figure 5. **Scenario 2** – Before and After Graphs of Reserves and Annual Surplus (Deficit)*

Before



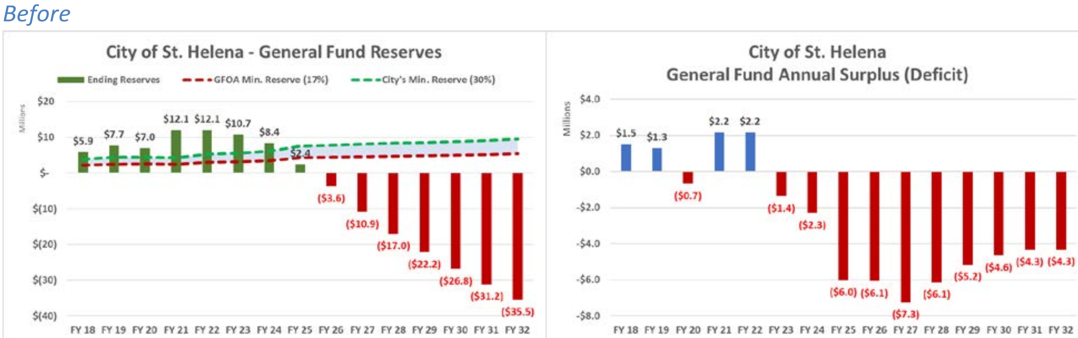
After



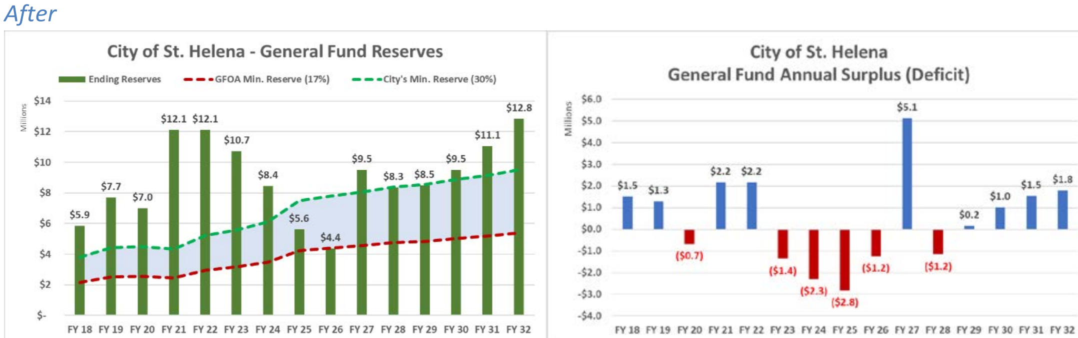
Scenario 3 – Providing capacity: business license tax; Charter City; real property transfer tax; sell surplus property

*Figure 6. **Scenario 3** – Before and After Graphs of Reserves and Annual Surplus (Deficit)*

Before



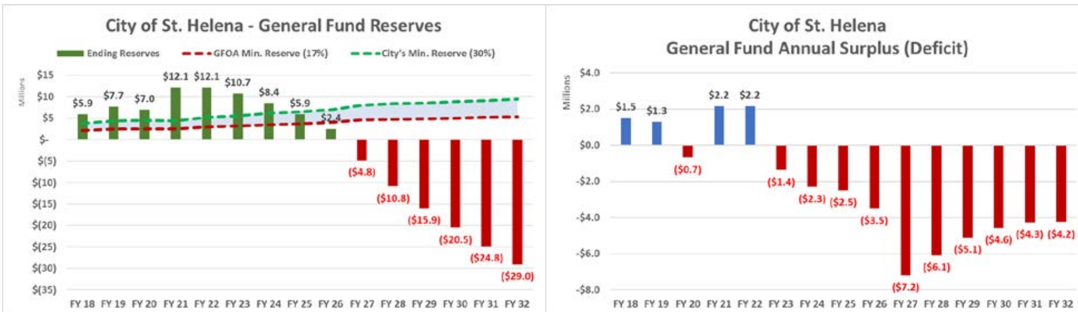
After



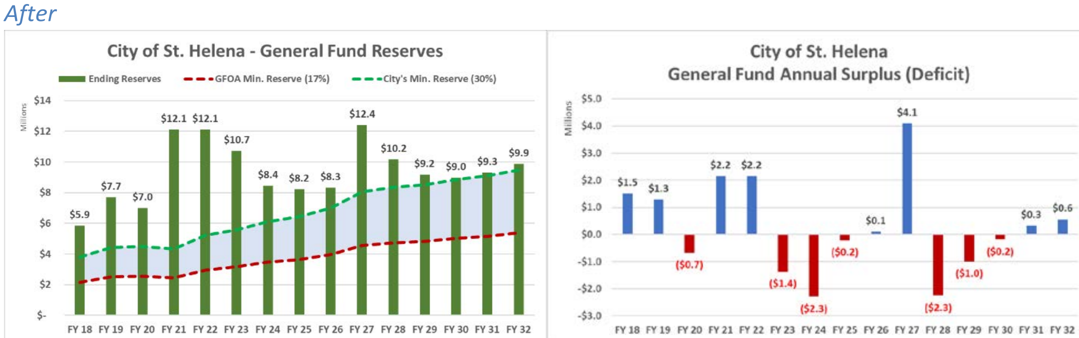
Scenario 4 – Providing capacity: TOT rate increase; local sales tax; library parcel tax; sell surplus property

Figure 7. ***Scenario 4** – Before and After Graphs of Reserves and Annual Surplus (Deficit)*

Before



After



Concluding Remarks

The City's updated financial forecast indicates that there is fiscal capacity to provide services at existing levels. However, there are several unfunded or underfunded needs. The City organization is currently struggling to provide services and meeting the expectations of the community. The City is also having difficulty recruiting and retaining its employees due to compensation and benefits that are not considered competitive in the marketplace. This post-pandemic environment adds significant challenges to the City's ability to recruit staff even if compensation was competitive. The cost of housing in the geographic region, coupled with long commutes, makes the City less attractive as an employer. Competitive compensation is needed to attract and retain talent. The City leadership needs to address that issue as quickly as it can.

The magnitude of the costs associated with the City's underfunded needs which total $5.3 million per year will not be affordable without additional financial resources – in other words, the City will need some form of revenue enhancement in order to continue providing the levels of service the community expects while also addressing deteriorating capital assets.

We look forward to discussing this matter with the City as the City Council and the leadership team work together with the community to address its operational and capital financing needs.

Attachment A – List of Additional Budget Strategies

The following table shows additional budget strategies that were identified but that did not meet a moderate or high fiscal impact threshold. A low fiscal impact budget strategy would have an estimated $100,000 to $350,000 impact to the general fund while minimal fiscal impact strategies are less than $100,000.

Budget Strategy	Fiscal Impact
EXPENDITURE CONTROLS AND COST SHIFTS	
Review cost allocation methodology and update to ensure cost recovery	Low
Shift costs for roadway maintenance to solid waste provider	Low
Eliminate special pays	Low
Eliminate City contribution to deferred compensation plan	Minimal
SERVICE DELIVERY CHANGES	
Contract Police Services	TBD Depending on Desired Service Levels
Contract Fire Services	
Contract Parks and Recreation services with another jurisdiction (e.g., NPOSD, Calistoga, Santa Rosa)	Low
Contract parks maintenance services	Low
Consolidate code enforcement so that one officer can perform multiple inspections.	Minimal
Implement online permitting	Minimal
Implement adopt-a-spot volunteers in Parks and Recreation	Minimal
Increase partnerships	Minimal
Contract with County to Provide Library	Minimal
Contract with another agency to provide water and wastewater services	Minimal
Share Chief Building Official duties with neighboring jurisdictions	Minimal
Contract fleet maintenance	Minimal
SERVICE REDUCTIONS	
Reduce library hours	Low
Reduce tree maintenance	Low
Reduce frequency and/or level of service for Parks and Recreation	Low
Rely on part time staff at the library	Low
Reduce number of special events	Minimal
REVENUE ENHANCEMENTS	
Fully recover costs for fire inspections	Low

Budget Strategy	Fiscal Impact
Start charging for vegetation inspections	Low
Relax regulations on short term rentals to increase TOT	Low
Hire a hearing officer for parking citations to address appeals	Low
Increase solid waste franchise fees	Low
Increase Parks and Recreation fees to achieve cost recovery	Low
Review and update master fee schedule to achieve cost recovery goals	Low
Implement street impact fee	Low
Implement real property transfer tax	Low
Implement results of development fee study	Minimal
Establish a Business Improvement District	Minimal
Implement a water and wastewater rate study	Minimal
Implement a Friends of Parks and Recreations group	Minimal
Rent out library rooms	Minimal

Attachment B – Presentation Slides on Propositions 218 and 26

The following slides are excerpts from presentations provided by Baker Tilly to other California cities describing the provisions of Propositions 218 and 26 and the impact on the ability of cities to impose, extend or increase taxes in their communities. More guidance can be found in the League of California Cities' Propositions 26 and 218 Implementation Guide on the League's website.

Proposition 26 - Defining a Tax by What it is NOT

Specific benefit	• zoning permits, parking permits
Government service or product	• recreation classes, utilities
Permits and inspections	• building permits, police background checks
Local government property	• facility rentals, park rentals
Penalty for illegal activity	• parking fines, code enforcement fees
Property development	• planning fees, grading permits, development impact fees
Proposition 218 exceptions	• fees imposed on a property owner, fees for property related service

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Proposition 218 – When is a Tax Imposed, Increased or Extended

Imposed	Extended	Increased
• When a local tax ordinance is adopted	• A decision to extend the effective period for the tax	• Increase the rate of the tax • Revising the methodology by which the tax is calculated

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Taxes Require Voter Approval

	General Tax	Special Tax
Use of Revenues	• Unrestricted	• Specific purpose
Governing Body Approval	• General law cities – 2/3 of Councilmembers • Transactions and use tax– 2/3 of Councilmembers	• Majority of Councilmembers
Voter Approval	• Majority of voters voting on the measure	• 2/3 of the voters voting on the measure

Other Rules	• Must be consolidated with a regularly scheduled general election of member of the governing body, unless a fiscal emergency is declared by unanimous vote	• Must be deposited into a separate fund
		• Must publish an annual report including
		  • Tax rate
		  • Amounts collected and expended
		  • Status of projects funded by the tax

Source: The California Municipal Revenue Sources Handbook (5 th Edition), Michael Coleman

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