



City of St. Helena

"We will conduct city affairs on behalf of our citizens
using an open and creative process."

FILED

SEP 10 2019

Clerk of the Napa Superior Court

By: C. Brennan
Deputy

August 28, 2019

The Honorable Elia Ortiz
Presiding Judge of the Civil Grand Jury
The Superior Court of California, County of Napa
825 Brown Street
Napa, CA 94559

Napa County Civil Grand Jury
c/o Foreperson Kort van Bronkhorst
1754 Second Street, Suite D
Napa, CA 94559

Re: 2018-19 Napa County Grand Jury Report "ST. HELENA: A SMALL TOWN WITH
BIG CITY PROBLEMS"

Dear Judge Ortiz and Foreperson Bronkhorst:

This City is in receipt of the Grand Jury report: "St. Helena: A Small Town with Big City Problems". The City has carefully reviewed and considered the findings and recommendations of the report. Pursuant to your June 25, 2019, request for response, at the regularly scheduled City Council meeting held on August 27, 2019, the City of St. Helena City Council approved this response.

The City's Introductory Comment:

The City responds to the Napa County Grand Jury's *Findings* and *Recommendations*, as specifically requested by the Grand Jury. The background for the Grand Jury's *Findings* and *Recommendations* is stated in its *Summary* and *Discussion* sections. The City finds itself in disagreement with several Grand Jury statements under those headings. In response, the City concluded that the best approach is to identify Grand Jury statements of concern to the City, reference them, and respond directly to them. This approach enables the City to respond succinctly to the Grand Jury's *Findings* and *Recommendations*, as required under section 933 and 933.05 of the California Penal Code. The statements of concern are listed below in the order they are presented in the Grand Jury Report. Each is labeled as SC (Statements of Concern).

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Summary (Grand Jury Report pages 2-3):

SC1 STATEMENT IN GRAND JURY REPORT: Page 2, paragraph three, fourth line, "the Upper York Creek Dam (UYCD) removal project that has been stalled since 2005..."

RESPONSE FROM CITY: Contrary to the above referenced statement, the City has made significant progress towards the removal of UYCD and restoration of surrounding habitat as noted below.

- The City has been working on this project since 2005 with actual costs-to-date of \$2.6 million. Costs-to-date include design and removal of sediment build-up upstream of the dam, ongoing design coordination with permitting agencies, and pursuing grant funds to complete the dam removal.
- The City has successfully applied for and received both federal and state grants in the amount of \$1.7 million to support completion of the project.
- The City has received all necessary permits to proceed with Phase I of the project. These permits include:
 - San Francisco Regional Water Quality Control Board – 401 Water Quality Certification Permit – issued 7/17/18
 - Army Corp of Engineers – Section 404/Nationwide Permit 27 – issued 10/10/18
 - California Department of Fish and Wildlife – 1602 Final Streambed Alteration Agreement – issued 7/3/19
- The City is preparing the Phase I bid package and has recently hired EKI to assist the City in managing the project, provide third party peer review of the plans for both Phase I and Phase II, construction assistance on Phase I, and detailed review of the permits, studies, and post construction monitoring plans.
- Phase I is anticipated to take 2-4 weeks and the goal is to start Phase I by September and have it completed by October 31, 2019.

SC2 STATEMENT IN GRAND JURY REPORT: Page 2, paragraph three, fifth line states, "...repeated water main ruptures that have caused street closures for emergency repairs..."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The recent street closures for emergency repairs were largely related to storm drain failures, especially in the Oak Avenue/Mitchell Drive area.

SC3 STATEMENT IN GRAND JURY REPORT: Page 3, item 1 states, "Inaccurate financial forecasting of the Unallocated General Fund."

RESPONSE FROM THE CITY:

- See *Discussion – The 10-year Long Range Financial Forecast (LRFF)* section for information contrary to the statement by the GJ - SC6 through SC13

SC4 STATEMENT IN GRAND JURY REPORT: Page 3, item 4 states, "Operation of the City water and wastewater system as "break even" commercial enterprises, as required by bond covenants."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- There is no such language in the Bond Covenants (Covenants). The Installment Purchase Agreement for both the water and wastewater bonds requires to the maximum extent permitted by law, to fix, prescribe, and collect rates, fees and charges and manager the water and wastewater operations such that the Net Revenues in each Fiscal Year will be equal to 120% of the Annual Debt Service.

SC5 STATEMENT IN GRAND JURY REPORT: Page 3, item 7 states the City faces many issues including, "Presenting these and other similar issues to its citizens in a regular, comprehensive, and easily comprehensible manner."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The City routinely keeps its citizens informed about city matters through the following outlets:
 - Published Staff Reports
 - Staff reporting at City Council Meeting
 - Council discussion at noticed meetings (e.g. budget preparation, City commissions and boards, workshops, special advisory committees)
 - Email and other communications, including utility billing inserts and SHINE quarterly community newsletter
 - Formal reports such as:
 - (i) Annual Budget
 - (ii) CAFR – Comprehensive Annual Financial Report
 - (iii) PAFR – Popular Annual Financial Report. The PAFR is a new report prepared by the Finance Department for the FY 2018 audited financials. This report extracts information from the CAFR to produce a high-quality reporting tool specifically designed to be readily accessible and easily understandable to the general public

and other interested parties without a background in public finance.

(iv) Long Range Financial Forecast (LRFF)

- Public press such as the St. Helena Star and the Napa Valley Register
- The first full paragraph after point 7 begins, "Despite longstanding public knowledge of these issues..." This longstanding public knowledge has come about because the City regularly keeps its citizens informed.
- On August 12, 2019, the City received the prestigious Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). GFOA honored the City for delivering a CAFR that "represents a constructive spirit of full disclosure to clearly communicate the City's financial story and motivate potential users and user groups to read the CAFR."

Discussion:

The 10-year Long Range Financial Forecast (LRFF)

SC6 STATEMENT IN GRAND JURY REPORT: Bottom of page 5 and top of page 6, bullet points 1-6 states, "the LRFF is used for several purposes including, but not limited to, the following:

- To identify amounts due for unfunded pension liabilities
- To plan for payment of payroll and non-pension benefits for City workers
- To fund needed repairs to City physical assets
- To pay for emergency funding of unexpected costs, such as litigation, wildfires, earthquakes, etc.
- To support various civic projects
- To determine what new projects might be undertaken by the City"

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The LRFF projects future expenses based on previous budget actuals, Memoranda of Understandings, Consumer Price Index (CPI) adjustments, current debt, CalPERS actuarial analysis, analysis of prior recession and budget impacts dating back to 1993, and other informational documents.
- The LRFF is not a funding document. It provides an indication of the revenue available (or absence thereof) to fund repairs and replacement of City assets, fund emergencies as they arise, and provides a forecast of the net revenue to support City projects (General Fund only).
- The LRFF provides an indication of the revenues available to support civic projects

- The LRFF does not determine new projects that might be undertaken by the City; it is strictly a financial forecast tool.

SC7 STATEMENT IN GRAND JURY REPORT: Page 6, paragraph one, first line states, "It is important to understand that the City's General Fund is divided into two parts: allocated funds and unallocated funds."

RESPONSE FROM THE CITY:

- The terms "allocated" and "unallocated" are not governmental accounting terms. There are five categories of fund balances associated with the General Fund:
 - Nonspendable
 - Restricted
 - Committed
 - Assigned
 - Unassigned

SC8 STATEMENT IN GRAND JURY REPORT: Page 6, paragraph 1, fifth line states, "Historically, the City's ratio of allocated to unallocated funds has been 2:1."

RESPONSE FROM THE CITY:

- While the terms "allocated" and "unallocated" are not governmental accounting terms, the GJ does define "allocated" as being set aside for existing liabilities the City is committed to pay such as payroll, benefits, rents, etc.
- Historically utilizing the LRFF actuals for FYs 2008 through 2018, the average of funds "allocated" has been 66%. This figure is taken from combining the following object codes: Salaries and Benefits, Health Insurance, PERS Unfunded Liabilities, Taxes, Insurance & Contributions, and Debt Service and dividing that total by the total expenses. This number does not take into account any requirements in the Transfer to Other funds such as MOUs.

SC9 STATEMENT IN GRAND JURY REPORT: Page 6, paragraph 2, second line states, "In predicting annual revenue increases each year during the 10-year period 2018-2028, the City assumes a 15%-20% annual increase of revenues each year."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- In determining the revenue assumptions, staff analyzed revenue data trends back to 1993 which included removing one time and unanticipated

revenues collected, when known. The data tables for this information are not part of the LRFF; however, the information was used to determine the annual revenue growth rate. This data shows from 1993 to 2017 the annual growth in revenues was 5% and, utilizing the same dates and removing the great recession, the annual growth rate increased to 6%. In analyzing the last 15 years (FYs 2003 through 2017) the annual growth rate with the recession was 4% and removing the great recession was 5%.

- The LRFF dated March 28, 2018, provided to the Grand Jury and available on the City's website, shows on Page 9 Table 7 the baseline revenue assumptions range between 1% and 5% annually.
- Pages 31 through 33, Appendix G – Appendix L, of the LRFF show annual revenues range from -6.88% to 10.53% dependent on the scenario with the 10-year average between 3.89% and 5.18%.
- No scenarios indicate a 15%-25% annual increase in revenues each year.

SC10 STATEMENT IN GRAND JURY REPORT: Page 6, paragraph 2, seventh line states, "The assumptions in the 2018-2028 LRFF are based only on the historically 'good years;' more recent 'bad years' that featured significant declines in City revenues were specifically excluded by the City from the most recent LRFF."

RESPONSE FROM CITY: Contrary to the above referenced statement:

- The 2018-2028 LRFF does account for the 'bad years' in the recession scenarios presented. There were six scenarios presented in the 2018-2028 LRFF, four of the scenarios included recessions, both mild and deep. A summary of the recession scenarios is on page 3 of the 2018-2028 LRFF and more detailed information is included on page 10 of the 2018-2028 LRFF. Staff analyzed revenue data trends back to 1993 which included recessions in FYs 1995, 2003, and the great recession that began in 2009. Additionally, staff analyzed the data on revenue recovery following each recession scenario.

SC11 STATEMENT IN GRAND JURY REPORT: Page 6, paragraph 4, first line states, "The 2018-2028 LRFF applied even more aggressive assumptions about revenues from Transient Occupancy Tax (TOT). First, the 2018-2028 LRFF not only assumes continued growth in the TOT from existing hotels despite current high occupancy rates, but also incorporates unreasonable growth factors in the calculation of those amounts. Secondly, it was recently reported that plans for developing a new hotel on a City-owned parcel were recently delayed [referring to Adams Street]. Finally, the planned TOT revenue assumptions do not take into consideration a possible decline in TOT revenues in the next few years as new

hotels, currently under construction and in various stages of opening in Calistoga, Yountville, and Napa, compete for clientele.”

RESPONSE FROM CITY: Contrary to the above referenced statement:

- The City applied a 5% growth for the TOT baseline, which is lower than the historical trends for TOT. The average increase for TOT from 1994 to 2017 was 9% each year (including the great recession). If the great recession is removed, the average increase was 10%.
- The recession scenarios included -5% and -3% in the mild recession and -10% and -10% for the deep recession scenario (page 9 of LRFF).
- Three additional scenarios were presented with a new, modest hotel, that has already been approved for development, in year 4 (FY 2021-22) bringing in an additional \$600,000 annually in TOT revenues.
- The GJ Report points out that the City has delayed potential hotel development on a City-owned parcel [referring to Adams Street]. However, the assumptions built into the 2018-2028 LRFF did not include a hotel on the Adams street property in the three scenarios which included a hotel in year 4. These scenarios are based on a different hotel project which has already been approved but has not pulled permits; it is not based on a hotel on the Adams Street property.
- While the LRFF TOT revenue assumptions do not take into consideration a possible decline in TOT revenues as new hotels are opened in neighboring cities it also did not take into consideration the historical increase in Average Daily Room (ADR) rates from St. Helena hotels, Bed & Breakfasts (B&Bs), and Short Term Rentals (STRs) which would partially serve to smooth revenues. The ADR for hotels and B&Bs increased from \$181 per night in FY 2012 to \$335 per night in FY 2019 and the ADR for STRs went from \$264 per night in FY 2013 to \$606 per night in FY 2019.
- In 2017, the City retained Kosmont Companies to provide municipal financial and real estate advisory services. In February 2019, Kosmont Companies presented a Hotel Market Analysis to the City Council to assist the City in evaluating the potential for new hotel development. This professional analysis confirmed that under current market conditions St. Helena has capacity for additional rooms.

SC12 STATEMENT IN GRAND JURY REPORT: Bottom of Page 6, paragraph five, first line and top of page 7, paragraph one, first paragraph states, “In addition the 2018-2028 LRFF does not discuss or analyze the constraints on City growth imposed by the Agricultural Preserve bounding the City, the political impact of an anti-hotel/anti-growth faction of City voters, or the impact of the current high vacancy rates in the downtown district. Each of these factors could also adversely affect City revenues

from TOT and sales tax, which represent two of the three foundations of City revenues.”

RESPONSE FROM CITY: Contrary to the above referenced statement:

- The 10-year forecast provides scenarios both with and without hotels. This is done to show the fiscal impact if a hotel is built. The scenario with a hotel is based on a project that the City has already approved; it does not include other unapproved hotel projects. The LRFF responsibly does not assume additional hotels beyond what has been approved.
- The vacancy rates in the downtown district, as well as other closed businesses, are considered in the LRFF. The City contracts with Avenu Insights & Analytics (Avenu) to provide sales tax revenue projections. Staff meets with Avenu on a quarterly basis to review sales tax figures, provide updates on business closures, and discuss trends, legislation, and projections. The LRFF projections for sales tax take into account actuals, information from Avenu, as well as adjustments for closed businesses.

SC13 STATEMENT IN GRAND JURY REPORT: Page 7, first full paragraph states, “...the LRFF does not present any “percent of probability,” a must-have in any financial forecast. a “percent of probability” gives the users of the forecast a better understanding of the numbers they are relying upon.../...Professional forecasts always give a percent of probability to the plan numbers. The St. Helena LRFF gives no such assessment or probability of accuracy.”

RESPONSE FROM CITY: Contrary to the above referenced statement:

- Percentage of probability is not typically done, or required, for government forecasts and is more commonly seen with investment portfolios and project operational budgets.

Unfunded Pension Liabilities

SC14 STATEMENT IN GRAND JURY REPORT: Page 7, footnote 17, “See Van Hort & Frankhanel Auditors Notes to 2014 CAFR, page iv”

RESPONSE FROM THE CITY: As a statement of correction:

- The firm which conducted the audit for FY 2014 was Terry E. Krieg, Certified Public Accountant
- Page iv of the FY 2014 audit is the table of contents
- The auditing firm of Van Lant & Fankhanel, LLP (not Van Hort & Frankhanel) began auditing the City’s financials in FY 2015.

SC15 STATEMENT IN GRAND JURY REPORT: Page 7, footnote 19, "See 2017-2027 CAFR, page 6."

RESPONSE FROM THE CITY: As a statement of correction:

- The source for the information is not the 2017-2027 CAFR, it is the 2018-2028 Long Range Financial Forecast dated March 27, 2018, page 4 (not page 6).

SC16 STATEMENT IN GRAND JURY REPORT: Page 7, fifth full paragraph, first line states, "In June 2016, the City retained Bartel and Associates, an actuarial firm specializing in the public sector, to assess the City's liabilities to CalPERS and to suggest methods to pay down this increasing debt."

RESPONSE FROM THE CITY: As a statement of correction:

- The City retained Bartel Associates, LLC in February 2018 (not June 2016) and this firm reported to City Council in August 2018. Based on the firm's analysis and a review of options, the City Council responsibly directed staff to accelerate pension liability payments to a 15-year term. The FY 2020 adopted budget includes this additional payment. On August 13, 2019, the City Council reaffirmed its commitment to accelerate payments and in fact has requested an analysis for both 15-year and 10-year repayment schedules.

SC17 STATEMENT IN GRAND JURY REPORT: Page 7, sixth full paragraph, third line states, "...the City Council said that, in the future, it would put aside one-third of the unallocated General Fund to address these liabilities. In the past however, the City has always used the majority of unallocated funds for other City projects."

RESPONSE FROM THE CITY: Contrary to the above reference statement:

- The City Council did not state it would put aside one-third but favored paying down the unfunded liabilities as if it were on a 15-year amortization schedule, as opposed to the current 30-year schedule.
- The FY 2019-20 adopted budget includes the regularly scheduled CalPERS unfunded liability payment (determined by CalPERS) as well as an additional payment to the CalPERS unfunded liability paying off the unfunded liability in a 15-year period vs. a 30-year period, which is projected to save the City \$5.2 million over 30 years.

- The payments of CalPERS unfunded liabilities began in FY 2016. The City Council retains discretion as to how to spend unassigned (unallocated) funds in the annual budget cycle.

SC18 STATEMENT IN GRAND JURY REPORT: Page 8, paragraph one, first line states, "In February 2018, the State of California and CalPERS voted to collect from cities and other public entities their respective unfunded liabilities over 20 years."

RESPONSE FROM THE CITY: As a statement of correction:

- The 20-year timeline applies only to newly established amortization bases commencing with 6/30/19 valuations. The current 30-year repayment structure will remain in place and only the gains/losses will be paid back over 20 rather than 30 years. This will be effective with the June 30, 2019 valuation for the 2021/22 contributions. This change was included and taken into consideration in the Bartel Associates, LLC study.

SC19 STATEMENT IN GRAND JURY REPORT: Page 8, paragraph two, first line states, "Without budgeting a set amount for paying down pension liabilities, this issue could arise again, or the funds might be put aside as other pressures for use of the unallocated General Fund emerge."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- During the annual budget process, the City allocates the mandatory, minimum payment to CalPERS for unfunded liabilities, which is based off of a 30-year amortization schedule. The minimum payment to CalPERS is not optional, it is mandated by CalPERS, and considered "allocated" funds when budgeting and forecasting.
- As noted in SC16, Bartel Associates, LLC was retained in February 2018 and issued a report to City Council in August 2018. Based on this analysis and a review of options, the City Council directed staff to accelerate pension liability payments to a 15-year term. The FY 2020 adopted budget includes this additional payment. On August 13, 2019, the City Council reaffirmed this commitment and has asked for analysis for both 10-year and 15-year repayment schedules.

Flood, Dam and Wastewater Projects

SC20 STATEMENT IN GRAND JURY REPORT: Page 8, first full paragraph in this section, first line states, "In 1998, Napa County enacted Measure A, providing a 1/2 -cent sales tax to facilitate and support funding for flood and water projects in the

greater Napa Valley. Amounts spent on approved and completed projects would be reimbursable until June 30, 2018. Since 2005, the UYCD [Upper York Creek Dam] and BCR [Bell Canyon Reservoir] projects have appeared as “open projects” in the City’s CIP. The Jury learned that these projects could have been paid for by Measure A funding but were not completed within the 20-year window of Measure A”

RESPONSE FROM THE CITY:

- It is correct that both the UYCD and BCR projects were considered eligible for Measure A funding; however, there were no funds available for these projects because the City directed its entire share of Measure A sales tax proceeds during its 20-year life to its critically needed Flood Control Project along and near the Napa River. The amount received in Measure A funding for the various projects along the Napa River was just short of \$37 million. The total costs of these projects well exceeded \$45 million. Additional funding for the Flood Control Project came from grants, loans, and the General Fund.
- In October 2017, Amendment No. 12 of the agreement between the City of St. Helena and the Napa County Flood Protection and Watershed Improvement Authority (Authority) was approved and allowed the City to draw 100% of the balance of the funds available through Measure A. These funds were used to reimburse the General Fund for past State Revolving Fund (SRF) loan payments and to pay off the SRF loan which was used for the purpose of financing the acquisition of land parcels and construction costs related to the Flood Control Project. When the SRF loan was taken out in 2008, the City pledged Measure A sales tax revenue allocations as security for repayment of the loan.
- All Measure A funds have been expended on the Flood Control project and no funds remain left unspent in Measure A.

Upper York Creek Dam (UYCD)

SC21 STATEMENT IN GRAND JURY REPORT: Page 8, first full paragraph in this section, first line states, “The UYCD project is a dam reconstruction project...”

RESPONSE FROM THE CITY: As a statement of correction:

- The dam is an old earthen dam and it is not being reconstructed; it is being removed – to the extent necessary – to allow for the passage of fish to their historical breeding grounds upstream of the dam.

SC22 STATEMENT IN GRAND JURY REPORT: Page 9, paragraph one, first line states, "In November 2018, the City Council directed \$1.6 million from the City's General Fund to the UYCD project, despite the bond covenants that the dam project, like the BCR project and City's Water and Wastewater Enterprises (WWE) operations, be operated on a "not-for-profit" basis, without the use of General Fund monies."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The bond covenants do not state the WWE operations be operated on a "not-for-profit" basis, without the use of General Fund monies. The bond covenants state that net system revenues must be sufficient to cover debt obligations of bonds.
- Footnote 25 is noted with this statement. The document cited is an overview and perspective on the impact of Proposition 218 on local finance and government provided by the Legislative Analyst's Office in December 1996, less than one month after the state's voters approved Proposition 218. This document has not been updated since 1996 (Note at end of LAO report). The Proposition 218 document does not discuss bond covenants. Instead it states:
 - Section 4. Assessment and Property Related Fee Reform – Article XIII D. Section 6. (2)(b)(1) "Revenues derived from the fee or charge shall not exceed the funds required to provide the property related services." It does not state that General Fund monies can not be used.

SC23 STATEMENT IN GRAND JURY REPORT: Page 9, paragraph two, first line states, "An Independent Commercial Enterprise is required by St. Helena bond covenants to operate on a breakeven basis: its expenses must not exceed its revenue, and conversely, its revenues must pay for all its expenses. The use of General Fund monies is prohibited by the bond covenants: all differences must be passed through to customers in the form of lower or higher rates."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The statement that, "the use of General Fund monies is prohibited by the bond covenants" is inaccurate.
- The bond covenants do not preclude the use of General Fund monies to support the Water or Wastewater Enterprises as noted in Section 10.1 of the 2012B Installment Purchase Agreement (Bond document). This section states:
 - "The Participant [City] may, however, advance moneys [to an Enterprise fund] for any such purpose so long as moneys are derived

from a source legally available for such purpose and may be legally used by the Participant for such purposes.”

- Use of General Funds monies will not be considered part of the required 120% debt coverage ratio.

SC24 STATEMENT IN GRAND JURY REPORT: Page 9, paragraph three, first line states, “The UYCD project was eligible for Measure A funding but the City did not submit this project for Measure A support. The reason for not submitting this project is unknown to the Jury.”

RESPONSE FROM THE CITY:

- See section above *Flood, Dam and Wastewater Projects*, SC20.

SC25 STATEMENT IN GRAND JURY REPORT: Page 9, paragraph four, first line states, “The current CIP still lists the cost of this project at \$6.5 million. However, a redesign of the project, providing for completion within two years (2018-2019), has been reported. If this redesign is implemented, then it is presumed that the bond covenants will require at least \$1.6 million be reimbursed to the General Fund.”

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- There is no requirement in the bond covenants requiring a reimbursement to the General Fund. The cost of the project will not be known until the work is bid and completed and may be less than estimated.

Bell Canyon Reservoir

SC26 STATEMENT IN GRAND JURY REPORT: Page 9, paragraph 5, first line states, “BCR [Bell Canyon Reservoir] is one of the City’s water sources and its stabilization and enhancement was one of the original projects proposed to Napa County for reimbursement from Measure A. The project has appeared on the City’s CIPs as an ongoing project since 2005, but to date no work has begun. The projected reimbursement would have been \$5.1 million. However, since the 2018 deadline for Measure A reimbursement has passed, this project will have to be funded by WWE rates.”

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- See section above *Flood, Dam and Wastewater Projects*, SC20.
- Several projects have been included in the CIP list for Bell Canyon Reservoir, they include:

- Bell Canyon Intake Tower Repair (W-84) – This project started in 2010 and was completed in 2017 with a total cost of \$253,000
- Bell House Valve Replacement (W-85) – This was opened as a project in 2010 and \$49,000 has been spent to-date on this project. This project is anticipated to be completed in FY 2020.
- Bell Canyon Creek Flow Measurement (W-91) – This project started in 2011 with the Design phase completed in 2019. The SCADA enhancement was completed in 2019 with a total project cost to-date of \$467,000.
- Bell Canyon Intake Tower Replacement (W-109) – This project was created in 2015. When the project was created, it was not anticipated it would start until at least 2021. This project began in FY 2017 and is currently in the design phase. Design is estimated to be completed in FY 2020 with construction in FY 2021. \$104,000 has been spent to-date on this project.
- Bell Canyon Spillway Assessment (W18-119) - This project was placed on the CIP list in FY 2018 and was completed in FY 2019 with total project cost of \$95,000.
- Bell Canyon Surface Monitoring (W18-120) - This project was placed on the CIP list in FY 18. The spillway assessment is underway and expected to be complete in FY 19. The total project cost to-date of \$31,000.
- The City continues to seek grant funding to offset capital expenditures and reduce impacts on rate payers.

Other WWE Issues

SC27 STATEMENT IN GRAND JURY REPORT: Page 10, paragraph 1, third line states, "Due to the need for more capital to complete the UYCD, BCR, and Wastewater projects, the City has commissioned multiple water rate studies to determine the necessary WWE rates to support the cost of the projects."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- This statement includes a Footnote 27 which refers to a link on the City's website: <https://www.cityofsthelena.org/publicworks/page/water-and-wastewater-rate-studies>. The information provided on this link is for two water and wastewater rate studies as well as links and information for the Ad Hoc Revenue Source Task Force for the water and wastewater rate study.

- An initial rate study for both water and wastewater enterprises (two separate entities) was completed in 2016 with new Proposition 218 compliant rates going into effect in 2017. Once the new rates went into effect, the City Council provided direction to review the Water and Wastewater study dated October 31, 2016, and make recommendations, if any, to the Council for revisions to the Study. Adjustments to the rates were adopted by the City Council on November 29, 2017.
- Water and wastewater rates are set for a five-year period with the expectation that new studies help inform updates approximately every five years. Projected costs for projects are a factor for rate studies as well as ensuring bond covenants are met. Revenues for both the water and wastewater systems declined due to reduced water volume drought conditions, which temporarily impacted the compliance with bond covenants.

SC28 STATEMENT IN GRAND JURY REPORT: Page 10, paragraph 2, first line states, "Based on the results of these studies, the City established a single rate system in 2017."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The City does not have a "single rate system". For the water enterprise the base rate is determined by the size of the meter and consumption charges are the same for all customers. For the wastewater enterprise, the base rate in the initial study (adopted in 2016 and implemented in January 2017) was based off of type of customer (residential, laundry, restaurant, etc.) and the consumption charge was also based off of type of customer. The methodology for the wastewater system changed in the second rate study (adopted in November 2017) to be based on the size of the meter and the consumption changed based off of the type of customer.

SC29 STATEMENT IN GRAND JURY REPORT: Page 10, paragraph 2, second line states, "After these new rates were established, some citizens demanded a review of the studies and significant flaws were found."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The footnote associated with this statement refers to an article in the *St. Helena Star*, titled, "City of St. Helena Reaches \$1.15 Million Settlement with Former Utility Rate Consultant." The methodologies for the water rate study are correct and projected revenues are tracking with projections in the rate study; however, staff detected issues not directly related to the

water rate methodologies, including shortages in the City's wastewater fund revenues. The City entered into a settlement agreement to resolve these issues.

SC30 STATEMENT IN GRAND JURY REPORT: Page 10, paragraph three, fourth line states, "...a multi-tiered rate might better serve the City's needs. A multi-rate system would:

- Distribute the fixed costs of the enterprise across all WWE users
- Adjust rates for users outside of the City limits
- Distinguish rates between residential and commercial users."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- It is premature to speculate on recommended changes to the current water and wastewater rate structures; this can only be done through a formal rate study process that is compliant with Proposition 218.
- It is also incorrect to assume that the City does not already distribute fixed costs across all users and distinguish rates between residential and commercial users.

SC31 STATEMENT IN GRAND JURY REPORT: Page 10, paragraph five, first line states, "The Jury also learned from City officials and Staff that there are presently at least 30 water users located outside the City limits. However, only 10 of these users have water contracts and most of those contracts have not been reviewed or renegotiated in over 20 years. In fact, some of these contract documents could not be located by City Staff when requested by the Jury. As these users are outside of the city limits, they pay no fees or taxes to support the City's WWE. The water and wastewater rates applicable to these users, as well as other contract provisions, are unknown."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- There are currently 361 water customers located outside of City limits. Of this amount, 307 are residential and 54 fall into the "other" category (Industrial, Commercial, Hotel/Motel, Fire Service)
- Water customers who have water contracts are typically commercial properties, a copy of all water agreements have been inventoried on the City's website at: <https://www.cityofsthelena.org/publicworks/page/water-agreements> for more than a year.

- Water agreements were put into place to limit the amount of water used by these particular entities. If water use exceeds the contract amount, the entity is charged a higher rate for excess water.
- The amount of water used by those who have water agreements is monitored by staff and an annual compliance summary is located on the City's website at: <https://www.cityofsthelena.org/publicworks/page/water-agreement-compliance-summary>.
- On January 8, 2019, City Council adopted Ordinance No. 2019-1 which added language to the St. Helena Municipal Code giving the City Council authority and discretion to verify compliance with the water agreements. This consists of a City Council subcommittee to review customer water use data and documents. Since the adoption of the Ordinance a subcommittee met with the Finance Director and confirmed compliance with the water agreements.
- The agreements have been reviewed over the past few years by staff and the City attorney.
- The water rates paid by these users are the same as the adopted rates except for the higher rates that are imposed when limits are exceeded.
- The only fees and/or taxes supporting the City's WWE's are collected through rates. Revenues derived from property, sales, and transient occupancy taxes (the three largest tax bases) are typically used for General Fund purposes, with the exception of the Council directed funding to go towards the removal of Upper York Creek Dam. There are no wastewater customers outside of City limits.

Aging and Deteriorating Physical Assets

SC32 STATEMENT IN GRAND JURY REPORT: Page 11, first full paragraph five, first line states, "Even through asset preservation is one of the CIP's guiding principles, the Jury learned through interviews and budget reviews that there has been no money allocated from the General Fund for this purpose in the last 10 years."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- While not enough to ensure asset preservation, there have been contributions from the General Fund for Civic and Streets projects in the last 10 years.
- A part of the reason for the decline in General Fund allocations was due to the Great Recession which began affecting the City in FY 2009 with a recovery to pre-recession revenues in FY 2012.
- With the passage of Measure D in November 2016 and a new rate structure for the Water and Wastewater Enterprises, funding is now becoming available as noted on page 3, paragraph 2, fourth line of the Five-Year CIP (2018-2023)

document provided to the Grand Jury. This document states, "The addition of the new rate structure along with increases in General Fund revenues and debt issuance capacity have allowed St. Helena to fund a higher level of capital projects than in years past. As a result, St. Helena will be better positioned to build a healthy infrastructure program and meet challenges ahead."

- Below is a summary by Fiscal Year (FY) of the recent contributions towards Civic and Streets projects. These include contributions from the General Fund, Gax Tax Funds, Measure T, and Impact Fee Funds.
 - FY 2016 - \$395,057
 - FY 2017 - \$57,465
 - FY 2018 - \$475,000
 - FY 2019 - \$1,353,206
 - FY 2020 - \$1,831,759
 - Includes contract for Noll & Tam for Library, City Hall, and Recreation visioning process and contract with BKF for downtown streetscape improvements – agreements signed in FY 19; however, the funds are being expended in FY 20.
- Two years ago, the City Council initiated a process to assess the City's various physical assets. Through the St. Helena Asset Planning Engagement (SHAPE) Committee and Facilities Condition Needs Assessment (FCNA) process – which included careful analysis, robust citizen engagement and professional evaluations – the City had developed a better understanding of the uses of each property, the extent of deferred maintenance, the cost to bring our assets up to community standards and various future use options.
- The City Council has approved a four-phase infrastructure strategy that builds on the work of the SHAPE Committee. The City's consultants are now assessing the needs and costs associated with a new City Hall, upgrades at the library, and conceptual recreational facilities. In addition, the City is continuing to plan for its downtown streetscape project and long-term renovations of the City's storm drains, and sewer and water infrastructure. The strategy includes exploring all reasonable and realistic funding options to address the City's capital and infrastructure needs.

SC33 STATEMENT IN GRAND JURY REPORT: Page 11, first full paragraph five, third line states, "In addition, the Jury noted that the legally required projects of the Wastewater Plant retrofit and the UYCD project have not been completed in the last five years."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The Wastewater Treatment Plant upgrade project (CIP S-52) was approved by City Council and added to the CIP list in FY 16 (less than 5 years ago). Work

for this project started in June 2016 and includes feasibility studies, engineering services, groundwater monitoring and reporting, and design.

- The City is committed to meeting the schedule set forth in the Cease and Desist Order issued by the Regional Water Quality Control Board.
- UYCD project (CIP W-26)
 - The City has been working on this project since 2005 with actual costs-to-date of \$2.6 million. Costs-to-date include design and removal of sediment build-up upstream of the dam, ongoing design coordination with agencies, and pursuing grant funds to complete the dam removal.
 - The City has received both federal and state grants for \$1.7 million to support the removal of the project.
 - The City has received all necessary permits to proceed with Phase I of the project.
 - San Francisco Regional Water Quality Control Board – 401 Water Quality Certification Permit – issued 7/17/18
 - Army Corp of Engineers – Section 404/Nationwide Permit 27 – issued 10/10/18
 - California Department of Fish and Wildlife – 1602 Final Streambed Alteration Agreement – issued 7/3/19
 - The City is currently advertising the Phase I bid package and has recently hired EKI to assist the City in managing the project, provide third party peer review of the plans for both Phase I and Phase II, construction assistance on Phase I, and detailed review of the permits, studies, and post construction monitoring plans.
 - Phase I is anticipated to take 2-4 weeks and the goal is to start Phase I by September and have it completed by October 31, 2019.

SC34 STATEMENT IN GRAND JURY REPORT: Page 11, last paragraph, first line states, "The 2018 CIP [Actual CIP provided to the Grand Jury] was the adopted FY 2019-2023 CIP] also does not include funding for the reconstruction of the City Hall (as of June 1, 2019, the Jury has not seen the 2019 CIP). Although the CIP is supposed to be a comprehensive list of all major projects, the 2018 CIP shows the City Hall project as 'deferred,' despite it being on the City Council's docket as a current project."

RESPONSE FROM THE CITY:

- Page 13 of the FY 2019-23 Adopted CIP budget provided to the Grand Jury provides a list of deferred projects. Projects are placed on the deferred list when there is no estimated budget or start date for the project. At the time

the CIP for FY 2019-23 was adopted, no known figures or dates were available to add the City Hall project to the CIP 5-year list.

- At the time the FY 2019-23 CIP budget was adopted on May 8, 2018, the final St. Helena Asset Planning Engagement (SHAPE) report (a comprehensive report of all General Fund Civic infrastructure needs and projected costs) had not been completed. Instead, the SHAPE report was completed on May 26, 2018, and presented to City Council on June 12, 2018 and at a joint session between the City Council and the SHAPE Committee on June 25, 2018.
- On May 28, 2019, City Council authorized a \$255,570 agreement with Noll & Tam Architects to provide professional services described as Architectural Feasibility/Visioning Study of Library, City Hall, and Recreational Facilities of the City of St. Helena. Concurrently, information is being provided to the City Council on the various funding options available for this project.
- The City Hall project will not be added to the CIP list until a better understanding of the project needs and total project costs are known.
- On April 2, 2019, the Planning Commission considered the projects and programs contained in the FY 2020-24 CIP document and on May 28, 2019, the City Council adopted the FY 2020-24 CIP.
- The Grand Jury never asked for any additional information from staff beyond the February 1, 2019 date when interviews concluded.

SC35 STATEMENT IN GRAND JURY REPORT: Page 12, first full paragraph (and partial second full paragraph), sixth line states, "Unfortunately, the SHAPE Committee was relying on the 2018 LRFF for the unallocated General Fund, based upon erroneous assumptions and long-range forecasts. The Jury believes this depicts a financial future that is unlikely to exist for the City. All of the SHAPE Committee alternatives required substantial net additional funding from the City. The SHAPE Committee used the 2017-2018 LRFF forecast of the General Fund, which was fundamentally flawed, as discussed earlier."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- See *Discussion – The 10-year Long Range Financial Forecast (LRFF)* section for information contrary to the statement by the GJ - SC6 through SC13

SC36 STATEMENT IN GRAND JURY REPORT: Page 12, second full paragraph, third line states, "Of the 15 identified methods of funding for most of these projects, none are adequately addressed and seem to be the most unlikely vehicles for St. Helena's LRFF. These suggested methods include parcel taxes, additional sales,

taxes, left-over unallocated funds from the General Fund, increases of business license fees, TOT increases, or a move to a new system of metered parking.”

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- o The intent of the SHAPE Committee report was not to provide a single recommended strategy. Its purpose was to identify feasible options, consistent with community desires, to address significant issues presented in the City's Facility Condition Assessment (FCA) summary report.
- o City Council discussed the recommendations at the June 25, 2018 joint meeting of the City Council and the SHAPE committee. Direction was provided to City staff in September 2018 to prioritize initial work on City Hall, Library improvements, and a conceptual Community/Recreation building. This work is underway today as stated in the response to SC34 above.

SC37 STATEMENT IN GRAND JURY REPORT: Page 12, last full paragraph, second line states, “Three very realistic and cost-effective options for a newly re-envisioned City Hall were not presented to or considered by the City Council:

1. Repurpose existing City-owned buildings to house City workers and sell current City Hall (valued at approximately \$1 Million), or
2. Buy/swap an existing City building and sell the existing City Hall (costing approximately \$2.5 Million), or
3. Execute a IRC § 1031 Exchange(s) of existing City real property assets for other empty or partially-occupied commercial properties.”

RESPONSE FROM THE CITY:

- o The Grand Jury does not explain why it perceives these subjective options to be “very realistic” or “cost-effective” and offers these without public engagement.
- o Appraisal report for City Hall shows the value of the City Hall parcel is \$4,740,000, not \$1,000,000 as stated in the Grand Jury report. The appraisal report is located on the City's website at: https://www.cityofsthelena.org/sites/default/files/fileattachments/boards_and_commissions/page/3358/restricted_appraisal_report_-_1480mainst-cityhallpolicestationnov-17.32.pdf.
- o The City has already identified temporary relocation strategies that do not required leasing of private space.

Above-Average City Legal Fees

SC38 STATEMENT IN GRAND JURY REPORT: Page 13, paragraph one, fourth sentence states, “In the last fiscal year, the City's costs for legal services have

exceeded the City's budget by \$600,000. Further, page 13, paragraph two states, "For a small town with relatively small budget, the Jury finds that St. Helena has a recurring history of spending a disproportionate share of that budget on legal fees. While a complete investigation of St. Helena's legal activities and costs are beyond the scope of this investigation, the Jury strongly recommends the City conduct an analysis of its legal expenditures and associated results. Such a study may help the City Council and Staff to better manage its legal services budget."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- o Legal costs have not exceeded the adjusted budget by \$600,000 as stated in the Grand Jury report. Below is a chart for FYs 2016-2019 showing the Adopted budget, adjusted budget, and actual budget.

FY	Adopted	Adjusted by Council Resolution	Actual
2016	\$702,000	\$925,970	\$879,563
2017	\$642,037	\$1,158,597	\$1,106,120
2018	\$645,000	\$710,000	\$727,355
2019	\$600,000	\$910,000	est. \$910,000

- o The Grand Jury ignored revenues received through work of the City Attorney's office including the \$1.15 million wastewater settlement, litigation settlements, and Short Term Rental (STR) compliance enforcement. Below is a summary showing additional revenues received through the work of the City Attorney.

	FY 2016	FY 2017	FY 2018	FY 2019
Legal Cost Recovery	48,052	158,922	10,683	32,726
Restitution	14,186	3,848	9,775	**181,127
Civil Penalties	41,000	65,400	106,778	149,264
TOT from Illegal STRs	*	64,205	26,868	90,221
Penalties & Interest from Illegal STRs	*	45,667	13,529	58,095
Settlement Agreements				1,150,000
TOTAL	103,238	338,042	167,633	1,661,433

* TOT, Penalties, and Interest from illegal STR enforcement for FY 2016 were resolved in FY 2017

** Restitution in FY 2019 for \$181,127 was a result of a 2015 settlement agreement

- o The City is aware of the legal fees incurred over the past few years and is working towards reducing legal fees. This includes:
 - Adoption of City Council Policy P-CC-0001 Management of Legal Services on May 8, 2018. This policy was established to ensure that the City receives and manages general legal and litigation services in accordance with best practices.
 - Implementation of a first-ever City Attorney Performance Evaluation Process to improve the delivery and reduce the cost of legal services.
 - At the May 14, 2019 meeting, City Council directed staff to work with Vice Mayor Dohring to develop a scope of work to solicit legal services for the City of St. Helena. The draft scope of work was presented to City Council on June 11, 2019 and the RFP for legal services was released on June 14, 2019 with a deadline date of July 31, 2019. This RFP included proposals for various legal service delivery and compensation models.
 - The RFP responses are currently being reviewed.

City Financial Reporting

SC39 STATEMENT IN GRAND JURY REPORT: Page 13, paragraph four, first sentence states, "Presently there is no single document or source of communication to City taxpayers or property owners that identifies the City's accrued amount of debt or other obligations."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- o The CAFR, presented annually to the City Council and posted on the City's website, contains the City's accrued amount of debt and other obligations. This information is included in the "Notes to the Financial Statements" under the section titled, "Long-term liabilities." The Grand Jury was provided copies of the CAFR's for FY 2013 through FY 2017. FY 2018 was not complete yet at the time of the request for documentation from the Grand Jury which was November 13, 2018.
- o The City Council receives an annual briefing at a public, regularly scheduled Council meeting on the CAFR.

SC40 STATEMENT IN GRAND JURY REPORT: Page 13, paragraph four, third sentence states, "...it was only after the waste rates rose that residents started to learn about the debt that St. Helena would need to incur to fix its failing wastewater infrastructure."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- The increase was discussed at length during the rate setting process for the Water and Wastewater systems. This includes the list of meetings/presentations listed under "Other Resources" and "Documents" on the City's website page pertaining to the rate studies. See link below: <https://www.cityofsthenana.org/publicworks/page/water-and-wastewater-rate-studies>

SC41 STATEMENT IN GRAND JURY REPORT: Page 13, paragraph five, first sentence states, Public forums, held by the City to disseminate information, reach only a small percentage of City residents."

RESPONSE FROM THE CITY: Contrary to the above referenced statement:

- With regard to the Water and Wastewater rate studies, the information was presented at public forums and the Proposition 218 Notice of Public Hearing was sent to all property owners and property tenants for both rate studies.

The City of St. Helena responds to the Grand Jury's *Findings* and *Recommendations* as follows:

Findings:

F1. The City's financial forecasting is not performed by an actuary, thereby leaving the results suspect. It is not reasonably possible to do five-year financial planning without accurate revenue and expense data and forecasts.

Response: The City **disagrees** with this finding. The LRFF is a financial forecast and not an actuarial exercise. The results are not suspect based on the information presented in Statements of Concern (SC) SC6 through SC13.

F2. The City's Capital Improvement Plan does not list amounts to be expended for the Water and Wastewater Enterprise projects mandated by federal, state, and local authorities. The Upper York Creek Dam, Bell Canyon Reservoir, and Wastewater projects have been on the CIP docket for many years, without beginning construction or making other material forward progress toward their completion.

Response: The City **disagrees** with this finding. The City's Capital Improvement Plan (CIP) does list estimated amounts for each CIP project; however, the CIP does not specifically indicate which projects are mandated by federal, state, and local authorities. Additionally, in recent years there has been material progress on the Upper York Creek Dam Removal, various Bell Canyon Reservoir improvements, and Wastewater CIP projects.

- F3. The various projects facing the City place tremendous time and expertise burdens on City Staff. City Staff lacks specific expertise to manage some of these complicated dam and reservoir projects.

Response: The City **disagrees** with this finding. The City hires qualified outside firms, when prudent, for major projects. City Staff oversees the work of these firms.

- F4. The City has not adhered to its own Capital Improvement Plans for the previous 10 years. This is especially notable concerning how few of the major projects—listed repeatedly in the CIPs over these years—have been completed.

Response: The City **partially disagrees** with this statement. The City has not completed some major projects that have been listed on the CIP list; however, the City has completed some significant projects and has made progress on other projects. Examples include: Flood Control Project, replacement of Tank 1 with Tank 1A at Bell Canyon, installation of a new water tower at Bell Canyon, various paving projects, and installation of a new practice range for the Police Department.

- F5. The City's Water and Wastewater Enterprise rates are suspect, due to an inaccurate water and wastewater rate report.

Response: The City **disagrees** with this finding. The inaccuracies noted by the Grand Jury impacted the last wastewater rate increase, not the water rate increase. The methodologies for the water rate study are correct and projected revenues are tracking with projections in the rate study for water. However, issues arose in connection with the rate study, including shortages in the City's wastewater fund revenues. The City entered into a settlement agreement to resolve those issues. The City is currently under contract with an engineering firm to evaluate rate methodologies and concurrently completing an underground utilities master planning effort to identify critical infrastructure deficiencies and needed investments before initiating a subsequent new water and wastewater rate study, which is typically done every five years.

- F6. The SHAPE Committee recommendations to the City did not include the less-expensive options in the SHAPE Committee Report.

Response: The City **disagrees** with this finding. All SHAPE Committee options to the City were included in its report, and therefore the City received all options considered by the SHAPE Committee.

- F7. On a regular basis, the City's Comprehensive Annual Financial Report has not funded the cost of deferred asset maintenance, which has left its physical assets in disrepair.

Response: The City **disagrees** with this finding. The Comprehensive Annual Financial Report (CAFR) is not a funding document like a budget. Instead the CAFR contains the audited financials from the previous fiscal year. While this report would show if funds were set aside for asset recapitalization, it is not a budgetary mechanism for setting aside funds. This is done through the budget process.

- F8. The cost of the City's 'City Attorney' is remarkably higher than comparable small cities in Northern California.

Response: The City **partially disagrees** with this finding. The City acknowledges the annual attorney costs are high and is working to reduce costs each year; however, some attorney costs are derived from unanticipated expenses such as litigation. Additionally, there are attorney costs which are offset by revenues as stated in SC38. Recognizing these costs are still high, the City issued a Request for Proposals for Legal Services in June 2019 which included a solicitation for alternative legal service models.

- F9. There is no budgeted or written method for dealing with the City's unfunded pension liabilities, as reported to the City in the Bartel & Associates Report.

Response: The City **disagrees** with this finding. The City's annual budget includes the Unfunded Liability payment required by CalPERS. The LRFF projects the annual payments forecasted by CalPERS and Bartel & Associates in the next ten years. Further, the City Council commissioned the Bartel study to better inform itself with options in addressing this challenge. At the City Council meeting in August 2018 the Council directed staff to accelerate the City's pension payments from 30 years to 15 years which is projected to save the City \$5.2 million.

- F10. The City's residents are not adequately informed of the financial impact of decisions made by the City Council and City Staff.

Response: The City **disagrees** with this finding. Significant financial decisions are made by the City Council, not City Staff. The financial impact on the City's funds is discussed during the budget cycle as well as routinely disclosed in Staff reports prepared for the City Council and presented at City Council meetings. The financial impact of significant City Council decisions is typically reported to in the

St. Helena Star newspaper and also City emails to all residents who sign up for City informational email. The financial impact of water and wastewater rate increases is especially widely discussed, as they cannot be lawfully implemented without conformity to the notice provisions required under Proposition 218. In addition to being reported at regular City Council meetings, financial reporting is presented to City Council at the end of each fiscal year through the CAFR presentation and, more recently, included in the presentation of the PAFR as noted in SC5.

Recommendations:

- R1. Prior to the issuance of the 2020-2030 CIP, the City should engage an experienced outside actuarial firm, or assign a qualified member of City Staff, to generate a professionally appropriate Long-Range Financial Forecast, for the fiscal years beginning July 1, 2020 and thereafter.

Response to Recommendation 1: The City **rejects** this recommendation. With regard to engaging an actuarial firm for the LRFF see SC6 through SC13. However, City can take actions to ensure best practices in governmental financial forecasting are taking place. This can include, but is not limited to, developing a revenue and forecasting policy, documenting revenue sources in a revenue manual, achieving consensus on revenue forecasts (part of the forecasting policy), and implementing the National Advisory Council on State and Local Budgeting (NACSLB) best practices, where appropriate for St. Helena.

- R2. The City should adopt a system that prioritizes payments for projects mandated by federal, state, or local authorities, to go into effect no later than the fiscal year beginning July 1, 2020. This mandate should provide that lesser projects cannot subvert any prioritized projects. Projects that are mandated by law (i.e. Upper York Creek Dam and Wastewater Plant retrofit) should be assigned to a City Council member for oversight and project management to completion. This Council member should be required to provide regular periodic status reports to all St. Helena citizens.

Response to Recommendation 2: City staff routinely updates the City Council on critical projects. The City Council, as the governing authority, has the authority to change priorities. The suggestion that a Council member should be assigned for "project management" is not consistent with the Council/City Manager form of government chosen by the City of St. Helena. In this form of government, Council members are policy makers; they do not engage in management.

- R3. No later than the Fiscal Year beginning July 1, 2020, the City should adhere to its Capital Improvement Plans.

Response to Recommendation 3: There are many reasons, including funding availability, which can result in the deferral of CIP projects. Additionally, a current City Council, even if it agreed with the Grand Jury recommendation, cannot lawfully commit a future City Council not to deviate from an adopted CIP plan as these plans are fluid and can be adjusted as conditions or priorities change.

- R4. For the larger and more complex projects such as Bell Canyon Reservoir, Upper York Creek Dam, and the Wastewater Plant retrofit, the City should consider hiring or otherwise engaging the services of an outside project manager to oversee the project, in order to lessen the burden on City Staff and assure a timely and appropriate outcome for the project completion. These assignments should take place commensurate with the start of the July 1, 2020 budget year.

Response to Recommendation 4: The City currently engages in this practice of employing qualified outside firms when prudent and efficient to do so. In doing so, it evaluates its internal expertise as to whether it should or should not undertake to manage a specific project (whether larger and more complex or small).

- R5. The City should review and implement the findings in the new Water Rate study, on or before June 30, 2020, and thereafter review then-current and relevant engineering and rate studies to determine appropriate multi-tiered Water and Wastewater rates.

Response to Recommendation 5: The City cannot prudently commit to implement findings for a rate study which has not begun. In August 2018, the City entered into an agreement with a consulting firm to conduct a water engineering and cost of service analysis. This is the first step in exploring the potential for tiered rates and beginning a new rate study. This analysis is currently underway and results should be available soon. The next step in conducting a rate study is inventorying the critical deficiencies that need addressing. This work is underway with the update of the City's comprehensive underground utilities master plan. Next, the City issues an RFP for consulting services, awards a contract for services, and conducts a rate study which will provide recommendations and options for City Council consideration. Once that is complete, the public review process, as required by Proposition 218, begins. The process culminates in a City Council meeting (or meetings), in which Council members assess any recommendations without prior commitment.

- R6. In accordance with the new Water Rate, and no later than June 30, 2020, the City should identify, review, and renegotiate all water contracts with commercial and residential users located inside and outside the City Limits. All such rates and contracts should be identified publicly to all City taxpayers and residents.

Response to Recommendation 6: The City does not have water contracts with residential customers. The City's water contracts with commercial and industrial users set annual limits on water consumption with rates set at the same rate as all water consumers. To the extent that the City has a contractual basis and appropriate leverage to renegotiate these individual commercial and industrial contracts, the City will continue to explore such options on a case by case basis.

- R7. The City should follow and seriously consider the findings in the current LAFCO municipal services review, cited in the Water Quality Report by this 2018-2019 Grand Jury published June 1, 2019.

Response to Recommendation 7: The recommendation requires further analysis as the referenced report has yet to be completed or released and is expected in February 2020. The City agrees that review and consideration of implementation of possible recommendations contained in the LAFCO Municipal Services Review (MSR) is important. As with other recommendations and reports from LAFCO, the City is committed to a thorough review and analysis of this report once it is published. However, before the City can commit to implement a course of yet unknown recommendations, the City must review, evaluate, and fully understand the scope and implications of the recommendations contained in the, yet to be released, LAFCO MSR. Additionally, the City anticipates the Napa LAFCO will initiate a MSR of all City services, not just water and wastewater, in 2020.

- R8. The City should reconsider the proposed City Hall project, on or before June 30, 2020. The estimated costs and sources for funding the proposed City Hall project should be included on the most current Capital Improvement Plan docket and Long-Range Financial Forecast. Emphasis should be placed on possible use of the City's existing real property assets as "City Hall" offices.

Response to Recommendation 8: The recommendation ignores the City's methodical investigatory and public engagement process to develop options for City Hall, Library, etc. The City has commenced this important process by retaining the City's architectural consultant, Noll and Tam, and the City Hall project is currently in the feasibility/visioning stage. The City has not settled on a specific City Hall project and site selection; therefore, there is no project to "reconsider."

- R9. Beginning in the 2020-2021 Fiscal Year beginning July 1, 2020, and continuing thereafter, the City should allocate a designated percentage of the General Fund each year for additional payments toward its unfunded liabilities to CalPERS as well as deferred maintenance costs for City real property assets.

Response to Recommendation 9: As discussed in SC16 through SC19, the City has already accelerated its amortization of its accrued pension liability for past employee services. In early 2018 EMG presented to the SHAPE Committee the

Facility Condition Assessment (FCA) summary report. This report is a systematic review of major physical components of a property to result in a projection of future needs and costs to meet those needs and is based on a visual review of City properties. As noted in SC32 City Council has allocated funding for Civic and Street projects.

- R10. Beginning with the fiscal year commencing on July 1, 2020, as the City hires additional full-time personnel, such as new full-time firefighters, the City should recalculate the effect of such hires on unfunded pension liabilities to CalPERS and include those new liabilities in the allocated budget.

Response to Recommendation 10: During the ordinary course of business, the City takes into account and budgets for the financial impact of employees and new hires on the General Fund, Water Fund, and Wastewater Fund, as appropriate. New hires in and of themselves do not affect unfunded pension liabilities (for other City employees' past service) as reforms enacted independently by the City to create a second benefit tier for employees hired after July 2012 and reforms implemented by the Public Employees' Pension Reform Act of 2013 (PEPRA) eliminated enhancements prospectively and have required the City's employees to contribute more towards retirement benefits. Moreover, the City has aggressively invested in prefunding its retiree medical obligations and changed agreements (MOUs and Compensation Programs) to discontinue this expensive benefit.

- R11. No later than December 31, 2019, the City should conduct an analysis of its legal expenditures and associated results in order to determine whether any changes need to be made to the City's current legal support and strategy. The results of this analysis and any accompanying recommendations should be shared with the public.

Response to Recommendation 11: The City **agrees** with this recommendation and has already began the process as identified in Finding 8.

- R12. The City should develop and enhance its system of community-based communications to highlight important financial issues affecting City residents. These communications could be published in the weekly St. Helena Star or by e-mail or both. Re-advertise the city e-mail communications system and how city residents can access these communications on a regular basis.

Response to Recommendation 12: The City currently communicates with City residents in many different ways as noted in SC5. Additionally, the City recently developed a communication checklist which outlines the various communication tools available to disseminate information to the public and staff. This checklist includes, but is not limited to:

- Digital outreach

- Online Calendars
- E-news Blast
- "News" on the City's website homepage
- Facebook
- Intranet
- Library Newsletter
- NextDoor
- PeachJar/SHSD
- Chamber Local Blasé
- Individual outreach
 - Email to Council, Commissioners, City Staff
 - Outreach to Newspaper
 - Ad in St. Helena Star and/or Napa Valley Register
 - Aunt Helena
 - Outreach at Community Events
- Physical Outreach
 - Council Mailboxes
 - Farmer's Market (May – October)
 - Copies at City Council, Planning Commission, or other City Committee meetings
 - Employee Bulletin Boards
 - Copies at the Library, Rianda House, City Hall, Brown's Auto Board, Napa Coffee Roasters, Cycle Shop.
 - SHINE Quarterly Newsletter
- Ambassador Outreach
 - Chamber of Commerce
 - Visit Napa Valley
 - Local Non-Profits such as Rianda House, Our Town St. Helena, Library Foundation, Historical Society, Friends of the Cameo, Nimbus Arts, OLE Health
 - Local Service Clubs such as Rotary, Kiwanis, Oddfellows, American Legion, Federated Women, Masons, and Soroptimist
 - Boys & Girls Club
 - Robert Louis Stevenson Museum
 - UpValley Waste
 - UpValley Family Center
 - Little League
 - Vineyard Valley

The City of St. Helena appreciates the opportunity to provide written responses to the Napa County Grand Jury Report, "St. Helena: A Small Town with Big City Problems."

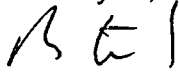
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Should the Grand Jury require any additional information, please contact me directly at (707) 312-0252.

Thank you,



Mark T. Prestwich
City Manager

cc: City Council
Cindy Tzaopoulos, City Clerk