

“We at SNVF continue to support data, fresh perspectives and realities.”

Mike Hackett, Board President

WATER AUDIT CALIFORNIA COMMENT:

Regular City Council - 09 Apr 2024 –

Agenda - 13.4. Proposed Approval of a Resolution Authorizing Hiring of Professionals for a Water Bond Financing Transaction Related to Funding for Water Capital Improvement Projects.

St. Helena Residents are Paying for Inept Government Services, Not Water

Residents of St. Helena have seen their water bills soar over the last 23 years. The price has gone up 1,230% during this time, yet there has been little improvement in services.

Beginning in 1996, Prop 218 has required a rate utility study every five years as justification for rate increases. In St. Helena, this study has shown year after year that the city is in desperate need of capital improvement projects for their water and wastewater facilities, together estimated to cost approximately \$50 million. On face value, it is inexplicable why the City now seeks a \$10 million bond. Is the City seeking to obscure the true magnitude of the problem?

The same projects are frequently cited again and again to support rate increases without progress being made. For instance, the intake tower at Bell Canyon Reservoir partially collapsed in 2011 and repairing it was included in the justification of raising rates that same year. However, it was not repaired and was also used as justification to raise rates in 2016 and 2023. During this time, the estimated cost has ballooned from \$1 million to \$3 million. Whether the money comes from the pockets of the residents in water rates or bond interest is mere smoke and mirrors. You will pay, sooner or later.

If money collected from ratepayers has not been going to these desperately needed capital improvement projects, where has it been going? Money from the water and wastewater enterprise fund has been diverted to legal expenses to defend continuing environmental injury, rodent control, hiring contractors rather than permanent employees, and paying a significant portion of salaries for city staff not sufficiently contributing to justify the allocation of Water Enterprise funds.

In 2017, St. Helena rescinded the Hall Winery's Will Serve Letter, an agreement that the city would provide them water, resulting in a lawsuit which cost the city \$900,000 in damages and \$350,000 in legal fees. The \$350,000 was paid out of ratepayers' pockets—the Water Enterprise fund.

In 2022, St. Helena allocated wastewater funds for a stormwater berm damaged by rodents, a responsibility outside the fund's scope, contributed to by water customers.

Since late 2020, the city's struggle to recruit permanent water and wastewater operators led to a \$4.3 million expenditure on contract employees in the last three years. Though the city was unable to provide salary information for permanent employees as a basis of comparison, it is estimated that hiring permanent employees would have saved the city approximately \$3

million, money that could have been spent on projects like the repair of the Bell Canyon intake tower.

This high turnover has also resulted in decreased institutional memory; nearly costing ratepayers \$900,000. The city has seen six changes in City Manager and five in Public Works Directors in the last 11 years. The most recent Public Works Director was not aware of the age of a water tank, and the tank was deemed the likely cause of the brown water that plagues residents. This tank was only seven years old at the time with a lifespan of 60-80 years. The city aimed to re-epoxy it for nearly a million dollars until community members pointed out that it had been constructed recently and that spending would be unnecessary.

The city has been using water and wastewater enterprise funds to pay for large portions of staff salaries. The City Manager, Assistant City Manager, and the two Assistants to the City Managers' salaries are all paid with 40% or more of their salaries coming from the water and wastewater enterprise funds. While these staff members do work with the water and wastewater systems, it is highly unlikely they spend over 40% of their time working in these systems to justify the allocations due to the fact they are also managing a police force, fire department, and have other diverse responsibilities.

St. Helena has a history of deferring important projects and leaving residents to foot the bill. See for example, the 27-year delay in removing York Creek Dam, which caused costs to escalate tenfold. The City continued to pay approximately \$35,000 a year in fines to NOAA and dithered for so long that a federal grant was lost, leaving residents to cover nearly 90% of what was eventually the approximately \$10 million price tag.

City officials have favored commercial water users over residential ones. In the 2020-21 drought year, the city council passed an ordinance limiting residential water users to 65 gallons per day per resident, a cut of 43%. This same ordinance only cut commercial use by 10%. St. Helena has a captive market on water as in 2012 it placed a moratorium on future residents drilling new wells on their property. It has not placed similar restrictions on commercial users and has not enforced its ordinance requiring well owners to report extractions.

In spite of this moratorium, groundwater extraction from the City's Stonebridge complex has been recognized by the County as constituting a major environmental injury to the Napa River, which has attracted continuing litigation. Repeated water moratoriums are followed by proposed new hotel development. Our City has become an island surrounded by traffic congestion, and every proposal seeks to make it worse.

The City continues to ignore participation, consideration or participation in a well-proposed county-wide water district schema that could save costs, reduce environmental injury and provide redundancy. Why not engage in a public discussion of the idea? Why is maintaining a money losing ineffectual water fiefdom such a high priority?

Yes, the capital facilities likely need money, but what happened to the money that the taxpayers had already dedicated to the tasks? More important than water engineers to facilitate further debt is a top to bottom **financial and functional audit**. It is axiomatic that it is insane to do the same thing over and over again and to expect a different result and yet here it goes again, throwing money at a problem that is ill-understood.

The Charter City and water bond issues are merely attractive distractions from poor management. If \$50 million is what is needed, why ask for \$10 million? What exactly will be left to be done? How is the rest going to be paid for, and when? Why does not the proposed expert scope of work not consider remediating the City's continuing environmental injury, or the benefits of a potential county water district? Why is the City's cost of water more than double the average in the County?

This year three seats of the city council are up for election. Ask your officials what they are going to do about this problem and if you aren't satisfied with their answer, show them your vote. People get the government that they deserve.

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