

# CITY OF CALISTOGA

1232 Washington Street • Calistoga, CA 94515  
707.942.2800



October 6, 2003

The Honorable Scott Snowden  
Presiding Judge  
Napa County Superior Court  
825 Brown Street  
Napa, California 94559

**RECEIVED**  
Clerk of the Napa Superior Court

OCT 8 2003

Re: 2002-2003 Napa County Grand Jury Final Report

Dear Judge Snowden:

The City of Calistoga has received and reviewed the 2002-2003 Napa County Grand Jury Final Report and pursuant to the requirements therein offers this letter and its attachment as our response.

To begin however, the City of Calistoga appreciates the process, which the Grand Jury follows, and their efforts to investigate issues of concern to the community and to offer their recommendations for improvement. It must be said, however, that this year's report fails in some respects to accurately describe the City of Calistoga's water system with regard to funding, policies and projects.

The following remarks are intended to correct inaccuracies in the text of the report:

1. Page 44 (people interviewed): "Calistoga City Engineer" should be "Calistoga Public Works Director/City Engineer". Also, eliminate "Calistoga Financial Director" (the City has an Administrative Services Director who functions as the Finance Director among other duties).
2. Page 47 (1st paragraph under "Calistoga"): "*Since 1998 no new well permits have been granted in Calistoga.*" This is inaccurate. Should be "*Since 1998, five permits have been granted for irrigation wells and two permits have been granted for domestic wells.*"
3. Page 47 (2nd paragraph under "Calistoga"): "*The main source of water for Calistoga is Kimball Reservoir*" would be more accurately stated "*The principal local source . . .*" Imported water volumes exceed local source volumes.

4. Page 48 (3rd paragraph): "*The plan included a tiered rate structure and a conservation plan. The City adopted the plan without implementing the conservation suggestions on March 6, 2002.*" This is inaccurate, as the rate structure adopted was as developed in the Bartle Wells plan – no suggestions were left out. This would be more accurately stated: "*The plan included a tiered rate structure to encourage conservation. The City adopted the rate structure on March 6, 2002. A comprehensive water conservation plan is currently under development.*"
5. Page 48 (3rd paragraph): "*The rates, when published, created considerable controversy. The City discussed various rebate plans, which were published in November, 2002, and resulted in a recall petition for some members of the City Council.*" This would be more accurately stated: "*The rates, when adopted, created considerable controversy. In November 2002 the City adopted modifications to the tier structure and residential credits from the General Fund to lessen the impact on some ratepayers.*" It should be noted, that the petitions filed seeking to recall two members of the Calistoga City Council did not contain a sufficient number of valid signatures and no further action on the petitions was taken.
6. Page 48 (4th paragraph): "*Calistoga manages its budget in a responsible manner, with the exception of the Water Department, where expenditures exceed income. Consultant fees contribute to this imbalance.*" Both sentences are inaccurate and should be omitted. Expenditures in the Water Enterprise Fund do not exceed revenues. Through assistance of consultants, the City recently received \$1M in grant and \$2.5M in loan funding for the water system from USDA, and we are in the process of applying for an additional \$4.6M grant/loan funding package from USDA for additional water system improvements.
7. Page 48 (5th paragraph): "*Customers are charged a \$26,350 water connection fee for new service or for the expanded use of an old connection. The connection fee between the distribution source and the meter is based on an acre foot of water consumption per year and is adjusted according to projected water use for each customer type.*" This would be more accurately stated: "*New connections to the system, as well as expanded use of an existing connection, are charged \$26,350 per acre-foot per year of water allocation. For the typical new single family residence, this would amount to about \$11,280.*"
8. Page 60 Summary (first paragraph): "*Napa County is comprised of several separate and distinct water domains. Five cities and six water districts are publicly funded. There is little unity among them.*" This is an inaccurate statement with respect to the lack of unity among the five cities and the County regarding water issues and supplies. Please refer to the attached joint response from these entities for amplification on this matter.

Second paragraph: "*Napa, American Canyon, St. Helena and Yountville maintain reserve funds in their budgets. These forward-looking municipalities have plans to prepare for drought or flooding. Neither Circle Oaks nor Calistoga have financial reserves for a water emergency.*" This statement is also inaccurate. Calistoga, like the other valley communities, has studied our water needs and service options in great detail. The City has adopted a comprehensive Water Facilities Master Plan and has implemented steps outlined in the Master Plan to insure that the City's water needs are addressed in the event of drought.

Additionally, the City of Calistoga does have an established budget (adopted by the City Council by Resolution) for the water system. For the FY 02-03 budget, there was a net surplus projected for the FY 02-03 year of \$563,077 of revenues over expenses. The projected ending working capital was over \$1.3 million of which \$312,000 was set aside as a 20% operating reserve and the remainder was for debt service reserves and future operations or capital improvements.

Third paragraph: "*Both Calistoga and Yountville subsidize water costs out of the general fund. Yountville can afford this practice, Calistoga cannot. Neither town promotes water conservation with this system.*" These two sentences are incorrect. The adoption of the 2002 water rates for a five-year period implemented a change in how the rates were charged to the different types of accounts. There was a shift of costs to residential accounts. The City of Calistoga recognized the impact to the residential accounts and established a fixed monthly credit to offset a portion of the costs. This credit is funded by a \$1 million subsidy from the General Fund over the five-year period. This allocation of General Fund monies was a choice that the City Council made and has not resulted in reductions or elimination of any existing General funded program or project. While this decision is not without implications, it is clear upon review of the City's Budget and Financial Statements that the City of Calistoga can "afford" this policy decision to provide a subsidy to its citizens.

Additionally, the City has and continues to promote water conservation through the residential water rates. The 2002 water rates improved the conservation incentive by reducing the amounts of water that could be used before higher rates were applied.

9. Page 61 (1<sup>st</sup> paragraph): "*The staff in American Canyon, Yountville, St. Helena, Napa, as well as the employees that work for the County and for LAFCO, were generous in sharing information.*" Staff from the City of Calistoga shared a great deal of information with the Grand Jury Committee – all that was requested and more. We met with the Committee and did our best to help them understand the information provided. This final report is the first indication that our effort was anything less than generous. If this had been communicated to us during the Committee's investigation, we would have surely taken steps to rectify it.

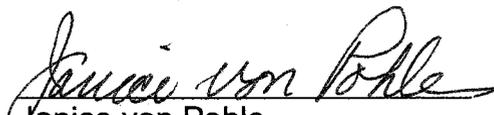
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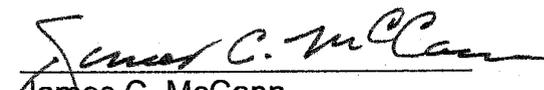
City of Calistoga Response: 2002-2003 Napa County Grand Jury Final Report

10. Page 61 (**Finding and Recommendation 1**): Please refer to the attached joint response from the five Cities and the County.
11. Page 61 (**Finding and Recommendation 2**): Agree with 1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> bullet points. The third bullet would imply that we should allow private wells in place of public water connection. This is a municipal rather than a County decision. The 5<sup>th</sup> bullet point regarding subsidizing excess water use is also a municipal rather than a County decision.
12. Page 63 (**Finding and Recommendation 4**): The City of Calistoga disagrees with the suggestion that it does not conduct itself its water operations "...in a fiscally responsible manner." The City's Water Division operates within an approved budget that accounts for emergencies. The City of Calistoga does have an established budget (adopted by the City Council by Resolution) for the Water Division and the Water Enterprise. In fact, in the FY 02-03 budget, there was a net surplus projected for the FY 02-03 year of \$563,077 of revenues over expenses. The projected ending working capital was over \$1.3 million of which \$312,000 was set aside as a 20% operating reserve and the remainder was for debt service reserves and future operations or capital improvements.

Thank you for this opportunity to respond to the Grand Jury's report. Should you or any member of the 2002-2003 Grand Jury desire clarification regarding our response, please contact us at 942-2805.

Sincerely,

  
Janice von Pohle,  
Vice Mayor

  
James C. McCann  
City Manager

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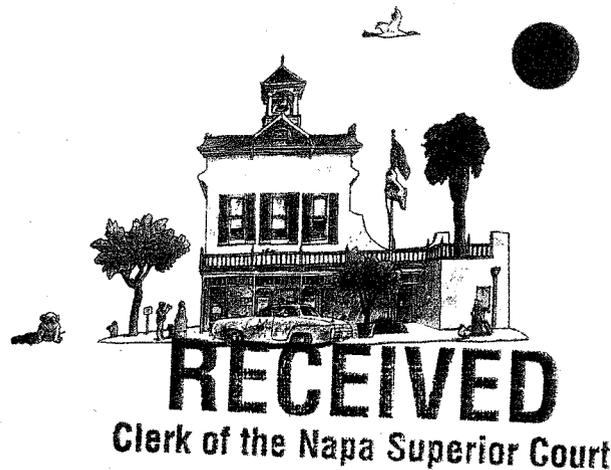
**Subject: Response to Grand Jury Finding 1 and Recommendation 1 – Formation of a Napa Water Agency**

Dear Judge Snowden and Members of the Grand Jury:

This letter serves as a joint response from the City of American Canyon, City of Calistoga, City of Napa, City of St. Helena, Town of Yountville, the Napa County Flood Control and Water Conservation District (District), the Napa Sanitation District (NSD), and Napa County Department of Public Works regarding Finding 1 and Recommendation 1 of the Water Report in the 2002-2003 Napa County Grand Jury Report. We would like to commend the Grand Jury Committee in their willingness to take on the monumental task of reviewing the many complex and diverse water purveyors in Napa County. The 2002-2003 Napa County Grand Jury Final Report, Finding 1 and Recommendation 1 of the Water Report is attached to this response for reference.

## **RESPONSE TO FINDING 1**

The Grand Jury is correct in that there are a number of independent water systems serving the residents of Napa County. As is typical in all other counties in California, these systems have evolved over time to meet the individual needs of each separate city or town. However, the five Cities, the District, NSD, and Napa County Public Works disagree with the statement that "*there is no unified service for water delivery in Napa County*" and would like to clarify that there is considerable coordination and cooperation among the cities and NSD regarding potable water and recycled water deliveries. All water agencies in the County are operated independently and the Cities, District, NSD, and County agree that they should remain as autonomous entities and not be governed by a single water agency. Each water agency in the County operates its water system according to the need and desire of its community and at the direction of the board or council that governs its operations and actions. This form of management allows for each community to have local control and prevents a larger population or neighboring



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community from dictating local needs and desires. This does not prevent unity in water delivery in Napa County. Where economics and geographic location have allowed, agencies have interconnected their water systems and have worked cooperatively and jointly to deliver potable water and recycled water to their customers.

All five cities have interconnected piping systems giving them the ability to exchange potable water and pursue joint projects to develop new water supplies. One water supply common to all five cities is the State Water Project (SWP) water received through the North Bay Aqueduct (NBA), which is operated by the State Department of Water Resources (DWR). The District contracts with DWR for this water and subcontracts this water to all five cities. The SWP contract is substantial, supplying more than half of the cumulative water supply needs of the cities. The District acts as the coordinator of the NBA water delivery and interacts and negotiates with DWR on the cities' behalf regarding the operation and changes to the SWP. The District is a member of the State Water Contractors Association and through this association provides oversight and review of the SWP to ensure DWR is operating the water system appropriately and is pursuing improvements and new supplies on the members' behalf.

The District, the Cities of American Canyon, Calistoga, Napa, St. Helena, the Town of Yountville, NSD, and the County of Napa believe this cooperative effort and coordination among agencies provides the unity of potable water service and recycled water delivery the Grand Jury has recommended in the County of Napa. The District, the County, NSD, and these five cities also believe that maintaining independence is appropriate and ensures that the residents of each agency have financial, operational, and planning control of their respective water systems serving their local residents.

### **RESPONSE TO RECOMMENDATION 1**

Recommendation 1 as identified on page 61 of the 2002/2003 Grand Jury Report will not be implemented as advocated by the Grand Jury because the Napa County Flood Control and Water Conservation District (District) already functions as a water agency and performs many of the duties recommended by the Grand Jury. The Cities of American Canyon, Calistoga, Napa, St. Helena, Town of Yountville, the District, NSD, and the Napa County Department of Public Works jointly agree that the District performs many of the duties recommended in the Grand Jury report and could add the other suggested duties at the recommendation of the participating agencies. The formation of a Water Agency as envisioned by the Grand Jury would duplicate efforts already handled by the District and remove the essential autonomy that each agency requires to operate their water system and to meet their specific customer and community needs. Such functions as setting water rates, establishing budgets, planning capital improvements, and conducting engineering studies must remain in the control of each municipality and not in a County Water Agency. The agency would also un-necessarily create another political body including a board of directors, staff, and office requirements, which would increase the cost of local government.

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The Napa County Flood Control and Water Conservation District was formed in 1951 and over the years has evolved to provide all but a few of the duties and tasks recommended by the 2002/2003 Grand Jury Report. The District Board is made up of representatives from all five Cities and the County Board of Supervisors. Of the thirteen duties recommended by the Grand Jury, the District already provides eight of the duties. A few of the duties listed such as review of groundwater permits and management of watershed programs are performed all or partially by departments of the County of Napa. The three items not performed by others and not performed by the District include development of a Countywide Urban/Agricultural water management plan, development of countywide water rate structures, and the research and collection of data on statewide water rates. The District does provide services that cover all other duties recommended by the Grand Jury report.

The District has conducted studies in the past that include many of the components of a countywide urban/agricultural water management plan and are underway with a 2050 water study that has many elements of a water management plan. This study is a cooperative effort funded by all five cities, the Napa Sanitation District, the Flood Control and Water Conservation District, and the County of Napa. The 2050 water study was tailored to meet the needs of all the agencies participating and an action plan to manage and develop needed water supplies in the County will be prepared as part of this study. In addition, the cities have developed their own urban water management plans that go into the detail necessary to meet the needs of their specific agency.

There are many reasons why a countywide water rate structure as recommended by the Grand Jury is inappropriate. Each water and wastewater agency has specific operational, capital, and maintenance costs that go into the development and setting of their water rates. A countywide water rate would not recognize the varying costs needed to serve a group of customers with such varied geographical service areas and varied water supplies. Each community has invested significant funds in their specific systems and to ignore these differences and varying levels of investment would remove the autonomy and local control of the customers served by each agency. The five cities, the Napa Sanitation District, the Napa County Flood Control and Water Conservation District, and the County of Napa do not feel a countywide water rate structure is appropriate or should be included in the tasks performed by the District.

The remaining item recommended by the Grand Jury not currently performed is the maintenance of a database of water rates charged by other agencies statewide. This is a task that could be performed by the District and may be considered by the water agencies and the District. Currently each agency reviews water rates charged by surrounding water agencies as they feel appropriate when setting their specific water rates. What other agencies charge for water service throughout the State, while interesting, is not necessarily relevant when setting water rates for a specific water agency. There are specific methods of setting water rates or any utility service rates that have been tested by the courts and others throughout the State. These methods dictate that rates for utility service must be charged based on debt service obligations, operational costs, and capital improvement. These costs can vary widely depending on the age of a utility, source of supply, the investment in capital improvements both historically and more recent, and the geographic location of the utility. All these factors

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determine the cost of providing service to customers and are the reasons water agencies charge differently throughout the State. A single countywide water rate would result in some customers subsidizing the cost of water service of other customers.

In recent years the District has become much more active in the coordination of water activities with the five cities in Napa County. The District conducts monthly technical meetings (WATERTAC) to keep the various cities and NSD informed of State Water Project and local water issues. WATERTAC provides a forum to discuss regional water issues and work cooperatively to solve common problems. As an example, the District has recently embarked on a cooperative 2050 Water Study that will look at the needs of many agencies on the valley floor through the year 2050. This 2050 Water Study includes the participation of all five cities, the Napa Sanitation District, and Napa County. Agencies outside the valley floor were not included in this study because of their geographic location and significantly different water concerns. All the agencies involved in the 2050 Water Study have water system interconnections or have service areas that overlap. This 2050 Water Study will identify the water needs of each agency and will provide an action plan to meet their needs through the year 2050. This study and the implementation of its recommendations partially address one or more of the duties recommended by the 2002/2003 Grand Jury Report. Other examples of joint collaboration on issues include; purchase of Kern County State Water Project Entitlements, emergency water supply agreements among agencies, sanitary surveys, drought water supply purchases, North Bay Aqueduct studies, and water conservation programs.

We do agree that the District could expand its existing efforts to assist the Cities and NSD in keeping up with the issues from the State Water Contractors, participate in regional water supply issues, and maintain historical data and records for water studies within the County. However, we recognize that in order to increase efforts to perform these tasks and others, a clear plan must be prepared to establish expectations and funding from each City or agency. When the 2050 Study is completed early next year, the District's duties will likely expand to include implementation efforts on behalf of the cities and possibly NSD. Over the years, the District has expressed a willingness to increase its efforts at the request of the cities and remains ready to expand or contract to meet the needs and desires of all the participating agencies.

It is suggested in the Grand Jury Report that a new Water Agency be created similar to the Solano County Water Agency or the Sonoma County Water Agency. These agencies have duties that vary greatly and have evolved due to their specific county needs and desires. Unlike Napa County, Sonoma County Water Agency owns a significant amount of actual infrastructure including pipelines, water treatment facilities, and wastewater treatment facilities. Sonoma holds significant water rights to the Russian River, owns and operates these diversion facilities, and delivers water through agency facilities to many cities and districts in Sonoma and Marin Counties with a total population served nearing 600,000 people. The magnitude of their services and population demand a different level of management and oversight within their county. However, Sonoma County Water Agency does not perform all the duties recommended by the 2002/2003 Grand Jury Report and does not include the oversight of the many small and geographically remote water districts throughout their county for the same

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reasons the District in Napa County is not advocating inclusion of these small water districts.

The Solano County Water Agency operates and has duties very similar to the Napa County Flood Control and Water Conservation District. In Solano County much like Napa County, a large portion of their water is imported and the Water Agency holds the master agreements for this imported water from the State and Federal projects. Solano County agencies have expressed a desire to increase its population size and therefore have advocated for additional staff members to pursue water supplies from various sources. The cities and irrigation districts in Solano County still maintain their autonomy by setting rates and planning their water infrastructure needs independently. This practice is common in all other counties in the State of California where each agency and region has evolved dependent on their specific needs and desires. The District has evolved based on the needs of Napa County agencies and is the appropriate agency to perform the duties recommended by the Grand Jury. Creation of a separate agency and the governing body and staff that go along with a new agency are not necessary at this time and would be a duplication of effort in Napa County. In these tight budget times, it is appropriate that government agencies operate efficiently and without a duplication of efforts wherever possible.

## **CONCLUSION**

The City of American Canyon, City of Calistoga, City of Napa, City of St. Helena, Town of Yountville, the Napa County Flood Control and Water Conservation District (District), the Napa Sanitation district (NSD), and Napa County Department of Public Works disagree with a portion on Finding 1 regarding unified service for water delivery in Napa County and have explained above why the agencies jointly feel that the appropriate level of unified service already exists. This group of agencies believes that expansion or contraction of this unity of water service can take place under the current powers of the Napa County Flood Control and Water Conservation District.

The City of American Canyon, City of Calistoga, City of Napa, City of St. Helena, Town of Yountville, the Napa County Flood Control and Water Conservation District (District), the Napa Sanitation District (NSD), and Napa County Department of Public Works will not be implementing Recommendation 1 creating a new water agency as recommended by the Grand Jury because the recommendation is not warranted and would be a duplication of service already provided by the Napa County Flood Control and Water Conservation District. We have reviewed the duties conducted by neighboring county water agencies and have found that the District has the ability to perform all the duties of these neighboring county water agencies and can expand or contract the level of effort provided by the District at the will of the Board of Directors and participating agencies as explained in the response above.

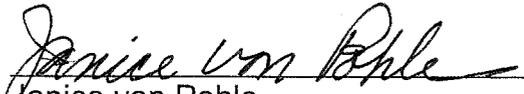
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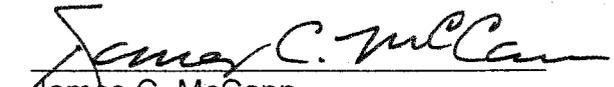
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The agencies listed above will be responding to other portions of the 2002/2003 Grand jury Report separately as appropriate or as requested by the Grand Jury. We hope this response has adequately addressed Finding 1 and Recommendation 1 within the report and would respectfully direct the Grand Jury to each agency if additional questions or a follow-up to this response is necessary.

Very truly yours,

CITY OF CALISTOGA

  
Janice von Pohle  
Vice Mayor

  
James C. McCann  
City Manager

\_\_\_\_\_  
THE CITY OF AMERICAN CANYON

\_\_\_\_\_  
THE CITY OF NAPA

\_\_\_\_\_  
THE CITY OF ST. HELENA

\_\_\_\_\_  
THE TOWN OF YOUNTVILLE

\_\_\_\_\_  
THE NAPA SANITATION DISTRICT

\_\_\_\_\_  
THE COUNTY OF NAPA

\_\_\_\_\_  
THE NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Attachment

## ATTACHMENT

### NAPA COUNTY GRAND JURY 2002-2003 WATER REPORT (page 61)

#### Finding 1

There is no unified service for water delivery in Napa County. There are numerous water systems. Some of these are privately held and some are operated with public funding. There are a number of agencies and interest groups formed to oversee water delivery. Consultants are engaged by many of these groups to solve problems. The Grand Jury estimates that well over a million dollars have left Napa County to pay consultants within the last fiscal year.

#### Recommendation 1

The Grand Jury advocates the formation of a **Napa Water Agency**. This system is in effect in Sonoma County, Solano County, in the central valley of California and in the greater Los Angeles area.

The Agency would coordinate existing water districts and replace the Napa County Flood Control and Water Conservation District as it functions as a water agency. The Water Agency would include a qualified manager, a field technician (engineer's aide) and an office assistant. The water manager would have the following duties:

- Attend all meetings of the State Water Contractors.
- Provide and distribute minutes of these meetings to all water agencies.
- Conduct monthly meetings of representatives from all County water agencies.
- Maintain the historical records and the hydraulic data on water studies within the County.
- Maintain the groundwater monitoring program records.
- Provide a review of all proposed water supply projects within the County.
- Review all permits for groundwater use within the County.
- Establish a Countywide Urban/Agricultural water management plan to provide water conservation and drought contingency plans.
- Be the County spokesperson for water conservation and resource management.
- Establish formal relationships between water supply agencies for mutual cooperation.
- Manage all watershed programs.
- Assist water agencies in establishing countywide rate structures.
- Maintain data on statewide water rates.