



## Staff Reports

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**File #:** 325-2021, **Version:** 1

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**To:** Honorable Mayor and Members of City Council

**From:** Phil Brun, Utilities Director

**Prepared By:** Phil Brun, Utilities Director

**TITLE:**

Amendment to Water Supply Agreement with St. Helena

**RECOMMENDED ACTION:**

Authorize the Utilities Director to execute Amendment No. 4 to the Water Supply Agreement between the City of Napa and the City of St. Helena (City of Napa Agreement No. 9381) allowing for 114 acre-feet of undelivered water from fiscal year 2020-21 to be delivered to St. Helena over the next five fiscal years.

**DISCUSSION:**

The Water Supply Agreement between the City of Napa and the City of St. Helena (City of Napa Agreement No. 9381) was entered into in 2006 and has been subsequently amended by Amendment No. 1 in 2009, Amendment No. 2 in 2011 and Amendment No. 3 in 2011 (Water Supply Agreement). The Water Supply Agreement provides St. Helena with a base supply of 600 acre-feet (AF) of water per fiscal year and obligates St. Helena to pay Napa for the full 600 AF of water, whether or not St. Helena is able to make beneficial use of the total quantity of such water.

In the period of July 1, 2020 to June 30, 2021 (FY 2020-21), Napa made 600 AF of water available to St. Helena, however, St. Helena only used 486 AF of water, leaving 114 AF of unused water. The water went unused over the winter months when St. Helena experienced operational challenges at their Rutherford Pump Station. In lieu of paying Napa for the unused water, St. Helena has requested Napa make available the 114 AF of unused water in future years.

Amendment No. 4 (see Attachment 1) provides St. Helena the ability to take delivery of the 114 AF of unused water over the next five fiscal years. No more than 40 AF of unused water may be taken in any single fiscal year and it is in addition to the 600 AF of base supply water made available to St. Helena under the Water Supply Agreement. St. Helena will pay Napa the water rate in effect at the time unused water is delivered to St. Helena. On July 1, 2026, to the extent that St. Helena has not taken delivery of all or a portion of the 114 AF of unused water, Napa will bill St. Helena for the remaining balance.

There are no negative impacts to the City's water system capacity, reliability, or water supply if Amendment No. 4 is executed. It is a benefit to Napa to store the 114 AF rather than deliver it to St. Helena under the severe dry year conditions in 2021 and instead spread out the delivery at 40 AF per fiscal year going forward. Amendment No. 2 was executed for a similar issue of unused water in 2010

and no negative impacts were observed as the water was delivered in future years.

St. Helena City Council approved Amendment No. 4 at their August 24, 2021 City Council meeting.

**FINANCIAL IMPACTS:**

If St. Helena is billed for the unused 114 AF of water, approximately \$288,000 would be due to the City's Water Fund. Amendment No. 4 would eliminate this billing. Due to overall revenue exceeding budget in FY2020-21, there would be no impact to the Water Fund budget if this revenue is not collected. As the 114 AF is delivered to St. Helena over the next five fiscal years, the rate paid will be the rate in effect at the time of delivery. Therefore, future revenue will benefit from the 3% minimum annual rate increase as part of the Water Supply Agreement.

**CEQA:**

The Utilities Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

**DOCUMENTS ATTACHED:**

ATCH 1 - Amendment No. 4 to Water Supply Agreement between the City of Napa and the City of St. Helena (City of Napa Agreement No. 9381)

ATCH 2 - Water Supply Agreement (with Amendments) between the City of Napa and the City of St. Helena (City of Napa Agreement No. 9381)

**NOTIFICATION:**

None