

Redwood Valley County Water District

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September 5, 2000

Bureau of Reclamation
Water Rights and Contracts Branch, MP 440
Attn: Charles Marshall
2800 Cottage Way
Sacramento, California 95825

Handwritten notes:
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Stand for # 916
275-1554-410
Charles Marshall
~~(916) 978-5255~~
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Re: Redwood Valley County Water District

Dear Mr. Marshall:

We appreciated the opportunity to answer your questions in regard to the District operations which were developed in the process of the preparation of a report in regard to the repayment abilities of the lands and water users within the boundaries of the District. The Board would like to continue this process of working with the Bureau in preparing a report which is both accurate and comprehensive in regard to the current conditions facing the District. For that reason may we ask that the Bureau staff consider the following:

A. You indicated a willingness to provide drafts of the sections of the report so that we could comment, provide supplementary information for inclusion and make certain that the information is accurate. We look forward to working with you in regard to that process.

B. As your report will no doubt reflect, the District has been unable to provide for repayment of the loan partly because of the uncertainty of the water supply providing water to the District during the period of April through October of each year. As you are aware, had it been known that the District would not be provided the necessary water rights for water during this period by SWRCB confirmation of the ability of Sonoma County Flood Control and Water Conservation District to serve water outside of its boundaries or that the Russian River Improvement District of the

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Mendocino County Flood Control and Water Conservation District would either refuse to serve or include the use of water within its rights, the Bureau finding of the feasibility of the loan and Project would have been quite different.

C. We have tried many ways of resolving the water rights condition. Because the Court-imposed moratorium upon new domestic connections to a degree limits the financial ability to repay the Bureau loan and with solving the water rights problem and having the moratorium lifted are the only means of sustaining a payment schedule, we wonder if the repayment feasibility report should not envision a method by which all of these forces could be brought together to permit repayment to commence or refinancing and payoff of the Bureau to occur at the present value of the loan principal if that was permitted by Congressional direction.

D. Would it not be wise to include within the repayment capacity report reference to the most recent overture of the Russian River Improvement District in which it is apparently proposed that the whole service area of Redwood Valley County Water District be included within the Improvement District boundaries? We understand the proposal to be that the 8,000 acre feet currently allocated to the Improvement District would be shared between our lands and the lands within other areas of the Improvement District and that Redwood Valley would provide payments to the Improvement District for the water utilized in April through October. Obviously, the terms of this proposal would affect the repayment capacity, but perhaps more important, one wonders if there is any repayment capacity available and feasible unless the water supply and source problem are resolved.

As soon as your draft sections are available we would appreciate receiving a copy. We look

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forward to working with you to determine if we can place all of these forces and factors into a readable report for the Bureau of Reclamation to consider. It may be that the only solution is to commence making payments with credits to the principal balance at an amount that may not conform to any schedule in the existing loan in order to show our good faith until these forces can in fact be brought together into a solution. We would like your views on this alternative as well.

Very truly yours,

REDWOOD VALLEY COUNTY WATER DISTRICT

By: _____

Donald E. Butow, Chairman
Board of Directors