



Redwood Valley County Water District

Post Office Box 399 • Redwood Valley, CA 95470 • (707) 485-0679

AGENDA BOARDS OF DIRECTORS

Special Meeting : Combined Meeting with the Boards of Directors of Mendocino County Russian River Flood Control District and Redwood Valley County Water District.

Time: 4:00 p.m.

Date: Wednesday, November 5, 2014

Location: Barra of Mendocino Tasting Room, 7051 North State Street, Redwood Valley, CA

Open to the Public

- *All items listed below are considered action items unless otherwise noted.*
- *The items listed below are numbered for convenience only and may not necessarily be heard in this order.*

1. Roll Call.
2. Hearing of comments or questions from the attending public for items not on the agenda.
(See end of Agenda for information regarding public comments.)
3. Consider hearing of urgent items received since the Agenda was posted.
4. Acceptance of Agenda.
5. Discussion and possible action regarding these items pertaining to the Dissolution/Annexation of RVCWD/RRFCD.
 - 1) Firm access to water supply.
 - 2) Moratorium.
 - 3) Assets/Liabilities
 - 4) Water Code.
 - 5) Staffing.
 - 6) Contract issues.
 - 7) Plan for Services.
 - 8) Options.
6. Memorandum of Agreement for further action.
7. Request for Proposal to develop Plan for Services.

POSTED: 10/31/14

Public Comments

Comments will be limited to matters under this District's jurisdiction that are not on the posted agenda and items that have not been previously considered by the Board of Directors.

Comments on a matter not on the agenda are limited to three (3) minutes per person and not more than ten (10) minutes for a particular subject.

No action will be taken. Individuals wishing to address the Board are welcome to do so throughout the Meeting.

Special Meetings/Emergency Meetings

In accordance with Section 54956 of the Government Code Brown Act, no other business shall be considered by the legislative body at these meetings.

ADA Compliance

The Redwood Valley County Water District complies with ADA requirements and will attempt to reasonably accommodate individuals with disabilities upon request. To assist us in better understanding your request, please notify the District Office no less than 3 working days in advance of the meeting by calling (707) 485-0679.

BOARD OF DIRECTORS

Granville Pool

Pamela Ricetti

Ken Todd

Jeff Basili

Agenda, Special Meeting

Board of Directors, R.V.C.W.D. & M.C.R.R.F.C.D.

Wednesday, November 5, 2014

Dissolution/Annexation

Talking Points

For the sake of brevity, the Dissolution/Annexation will be referred to as “annexation.” The Mendocino County Russian River Flood Control and Water Conservation Improvement District will be referred to as “RRFC.” The Redwood Valley County Water District will be referred to as “Redwood.” The Division of Drinking Water (formerly known as the California Department of Public Health) will be referred to as “DDW.”

1. Firm access to water supply. The exact nature of post annexation firm access to water supply needs to be clarified. In the past, statements have been made such as “access equal to the other districts” and an “allocation.” This is understood to mean that Redwood would be subject to the same reduction as other customers/districts during shortages. What is not clear is how much supply would be available most years. What is also not clear is how new firm access for Redwood would impact other districts’ possible future expansion. “Other districts” is understood to mean the other County Water Districts (Calpella, Millview, Willow, and Hopland). Those districts have not as yet signed the most current iteration of the water supply contract due to concerns over wording of some clauses of the contract. All of those districts are currently under moratoria due to inadequate firm water supplies. It has further been informally stated that an allocation would not necessarily be sufficient to lift the Redwood moratorium. This should be clarified. The DDW will require a Source Capacity Study evaluating firm access to water supply, including any projected increase, prior to issuing a new water supply permit following annexation.
2. Moratorium. A firm supply sufficient to allow Redwood to petition for removal of its moratorium is important for a number of reasons. (1) It would allow existing residents with poorly producing or vulnerable wells to receive service from the district. (2) It would allow the district to recognize formerly awarded “allocations” that are potential legal liabilities. Allocations are services that were requested pre-moratorium that have been charged monthly fees but cannot be installed due to the moratorium. (3) It would allow Redwood to require additional units on one meter to properly register with the district and pay the appropriate meter service charge. Without the ability to recognize and accept into the system currently non-registered multiple units, those units are not paying an appropriate share of operating costs. This lack of actual accounting of customer numbers creates an inaccurate calculation of correct cost of service. Those service points that only provide service to one unit are essentially subsidizing those service points that have multiple un-charged residences. (4) It would allow Redwood to provide new services to new residences that are permitted by the County. Unless and until Redwood is able to lift the moratorium, it will not be able to build out to the design limit originally intended to enable Redwood to properly service its debt. (5) If Redwood has the ability to provide new services, it can develop an effective residential well permitting policy consistent with ground water basin protection regulations. Without the ability to provide new services for new construction, Redwood cannot stipulate that new construction in proximity to distribution mains be required to connect to the public water system.

3. **Assets/Liabilities.** It is presumed that the existing Bureau of Reclamation \$7.3M debt will be carried by, and repaid by a "Zone of Benefit" consisting of the service area of the former Redwood. The assets associated with that debt include the existing infrastructure as well as an underutilized water right. The ability to repay the loan would be enhanced by the ability to gain from increased use of the currently under-utilized water right. For example, if the 2800 AFY to storage included in the water right could be utilized through a change in the point of diversion that revenue could be assigned to repayment of the original debt. Disposition of existing Redwood assets should be formalized and included in any agreement. Due to differences in infrastructure and operations costs there will always be a differential between the cost of water above the lake and below the lake. This disparity should be addressed prior to annexation.
4. **Water Code Section.** DDW will make the final determination of the appropriate code sections for the administration and regulation of the drinking water portion of the annexed district. However, both current districts should discuss this matter with DDW staff. RRFC may need to adapt its policies and procedures to comply with drinking water provisions within the California Water Code. California Water Code §106 places domestic use of water over irrigation use. Potential future conflicts between domestic and irrigation supplies during periods of shortage should be identified and resolved. Redwood currently operates under Division 12, §30,000-§33,901 of the Code. The DDW is considering the available options for a post dissolution water supply permit. One possible solution is a simple change of ownership whereby RRFC becomes the "owner" of Redwood. Such a transfer would allow Redwood to continue to operate as a County Water District. It should be determined in advance what impact this would have on Board oversight of the dissolved district.
5. **Staffing/Personnel.** Following annexation RRFC will ultimately be responsible for staffing issues, including reviewing job descriptions, maintaining appropriate certification levels, recruiting and training, wage determination, and benefits. These issues should be clarified prior to final dissolution/annexation to avoid any surprises during transition.
6. **Contract Issues.** If and when Redwood is annexed into RRFC and becomes fully integrated into RRFC, does the former Redwood need to contract with itself for water supplies? If so, how does the former Redwood extend this need for a contract to its current agricultural users? RRFC's contractors must sign up for a certain amount of water in advance and pay for that amount regardless of actual usage. The RRFC contract does allow for subsequent modification following demonstration of actual usage. Currently Redwood agricultural customers (after paying for either 1 or 2 acre feet) pay for actual usage limited only by the ability to deliver. Redwood presently only purchases water actually diverted. Would it in the future be required to pay for a pre-estimated amount, regardless of usage? How would these conditions need to be modified to be compatible to RRFC procedures? If the Zone of Benefit is subject to a contract requiring the purchase of "reserve or buffer" water supplies it does not actually use there will be an increase in cost of supply. There will also be an increase in cost per acre foot after dissolution of the Stipulated Judgment. The current position of RRFC is that cost increases to its customers are not subject to Proposition 218 provisions. It should be determined what impact such cost increases would have on the Zone of Benefit.

7. Plan for Services. Part of the LAFCo annexation process includes a review of a Plan for Services. This is essentially a review of the existing infrastructure, operations and water supply. Any potential impacts should be reviewed and evaluated. An area for review is the impact of incorporating a retail water vendor regulated by the Division of Drinking Water into an environment developed for a wholesale water vendor regulated by the Division of Water Rights. Will administrative charges, in addition to the cost of water be levied against Redwood by RRFC? What other procedural changes, if any, will be required to integrate the two different business models.
8. Annexations. The Plan for Services must include provisions for continuing to provide service to areas served by Redwood that are outside its place of use but within its service area. The most recent comment from the Division of Water Rights is that they are currently focused on curtailment enforcement and will deal the annexation issue as staff becomes available.

SPECIFIC QUESTIONS

These questions are intended to provide the basis for both a LAFCo Plan for Services and a DDW Technical, Managerial, and Financial review. The answers will also provide information to the public during any public review and/or protest period.

1. Firm access.
 - A. Following annexation, will Redwood have the same access to firm water as the other Public Water Systems (PWS)?
 - B. The Uniform Water Supply Agreement offered to the other PWS is designed to allow the districts to lift their moratoria. Following annexation will Redwood be able to lift its moratorium?
 - C. The other affected PWS have expressed concern (letter signed 9/9/13 to 9/16/13) about the impact Redwood gaining firm access to a portion of the 8,000 AF will have on them. How will RRFC address this concern?
 - D. If access to firm water is an allotment, how much is the allotment or how will the allotment be set?
 - E. If Redwood is able to develop ground water resources, how will this affect any allotment?
 - F. In addition to the Court Ordered back assessments of \$272,992.00 paid in 1989, would Redwood be required to pay any additional funds to obtain firm access to water supply?
2. Moratorium.
 - A. How is RRFC prepared to address the moratorium in Redwood following annexation?

3. Assets/Liabilities.

- A. Following annexation, what steps will RRFC take to ensure that current RRFC contractors will not be responsible for the existing Redwood debt?
- B. Following annexation, what steps will RRFC take to mitigate the existing Redwood debt?
- C. Following annexation will Redwood continue to divert water under Water Right 17593 without additional payment to RRFC?
- D. Following annexation, how will revenue potentially generated by Water Right 17593 outside Redwood's place of use be credited to Redwood's existing debt?
- E. Following annexation how will *Ad Valorem* tax revenues be assigned?

4. Water Code.

- A. Redwood is organized under §§ 30,000 *et seq.* of the California Water Code. RRFC is organized as an improvement district to a conservation district operating under §§ 74,000 *et seq.* of the code. Following annexation what code section will regulate the production and distribution of drinking water?

5. Staffing.

- A. Following annexation how will Redwood's potable water department be organized?
- B. RRFC currently participates in PERS for retirement and CSDA for insurance. Redwood provides a matching 457 plan and ACWA insurance. Following annexation how will benefits (and liability insurance) be assured?
- C. Following annexation, if RRFC requires staffing changes to Redwood that increase personnel costs, how will those costs be assigned?

6. Contract Issues.

- A. Following annexation, Redwood would become a component of RRFC. Would Redwood need a contract with itself? If so what would be the nature of this contract? Would Redwood need to contract with its customers to meet terms of any contract with RRFC?
- B. Would RRFC be subject to any Proposition 218 rate increase hearing requirements? If not, how would RRFC accommodate Redwood's need to comply with Proposition 218?

7. Plan for Services.

- A. If Redwood is dissolved, how will RRFC meet compliance with DDW Technical, Managerial, and Financial capacity requirements?
- B. Following annexation, how will RRFC accommodate the Water Code requirement that gives priority of domestic needs over agricultural?
- C. Following annexation, how will RRFC meld together an organization regulated by the Division of Water Rights with and organization regulated by the Division of Drinking Water?
- D. If Redwood is dissolved will RRFC be able to continue to provide agricultural water to areas in Redwood that are in excess of maximum acreage allowed by Water Right 12947B?

8. Annexations.

- A. Following annexation, is RRFC prepared to continue water service to Redwood's annexations that are outside Redwood's place of use?

9. Options.

- A. The 1980 Stipulated Judgment states: "MENDOCINO [RRFC] and REDWOOD shall each use their best effort to effectuate a joint powers agreement or pool concept for the most effective utilization of the available water resources. Such joint powers agreement or pool concept may include MENDOCINO, REDWOOD, Marin Municipal Water District, North Marin County Water District, Sonoma County Water Agency, and other suitable agencies or entities. MEDOCINO and REDWOOD shall each extend to the other their full cooperation in creating such joint powers agreement or pool concept." (SUPERIOR COURT OF THE STATE OF CALIFORNIA IN AND FOR THE COUNTY OF MENDOCINO. No. 42059. Section 9, May 30. 1980).

Is RRFC willing to comply with this requirement of the Stipulated Judgment either by seeking to form a JPA or implementing the Pool Agreement?

Memorandum of Agreement between the
Mendocino County Russian River Flood Control
& Water Conservation Improvement District
and the Redwood Valley County Water District

On March 30th, 2011 at a joint meeting of the boards of the Mendocino County Russian River Flood Control and Water Conservation Improvement District (RRFC) and the Redwood Valley County Water District (RVCWD), both boards unanimously agreed to enter into this Memorandum of Agreement (MOA) to memorialize their universal support for the following concepts:

1) RRFC and RVCWD agree to the four point proposal jointly developed by the Ad Hoc committees. The points of the proposal are:

-RVCWD purchases 3500 af to be reassigned from 12947A (SCWA) to 12947B (RRFC)

-RRFC abandons its petition for 6000 af

-RVCWD and RRFC merge to become new entity

-SCWA agrees to not protest POU petition for RVCWD rights

2) RRFC and RVCWD agree to work together, not independently, to accomplish the goal of jointly presenting the elements of the proposal to the Sonoma County Water Agency (SCWA).

3) RRFC and RVCWD agree that neither their board members nor staff will participate in independent discussions with SCWA without the specific knowledge and agreement of the other agency.

4) This Memorandum of Agreement will expire on July 1, 2011.

Lee Howard, President RRFC

Don Butow, President RVCWD

Date: _____

Date: _____

Attest: _____

Secretary

Attest: _____

Secretary

**Memorandum of Agreement between the
Mendocino County Russian River Flood Control & Water Conservation Improvement District
and the Redwood Valley County Water District**

On August 14th, 2013, at a joint meeting of the boards of the Mendocino County Russian River Flood Control and Water Conservation Improvement District (RRFC) and the Redwood Valley County Water District (RVCWD), both boards unanimously agreed to enter into this Memorandum of Agreement (MOA) to form a partnership to secure a permanent and reliable water supply for Redwood Valley. By executing this MOA, both boards are memorializing their universal support for the following concepts :

- Working together, not independently
- Creating a workplan to further RRFC's petition for 6000 af
- Creating a timeline to execute the envisioned plan
- Creating a joint funding stream sufficient to execute the plan
- Becoming a single entity once a reliable supply is secured.

This Memorandum of Agreement will expire on July 1, 2014.

Lee Howard, President RRFC

Granville Pool, President RVCWD