

REDWOOD VALLEY COUNTY WATER DISTRICT
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MINUTES
Regular Meeting
Board of Directors
Thursday, September 17, 2009

Directors Present: Donald E. Butow, Jeanette Hallman, Hal Voege, Granville Pool, Merle Reuser
Staff Present: General Manager Bill Koehler
Office Manager/Secretary to Board of Directors, Linda Groth
Members of the Public: Roy Beck, Will Carson, Jack Spilman, Gene Galletti, Jack Cox,
County Supervisor Carre Brown, Mark Edwards and several unnamed
members of the public

CALL TO ORDER: 7:08 p. m. by President, Board of Directors, Donald E. Butow.

1. ROLL CALL.

Granville Pool, Director
Hal Voege, Director
Merle Reuser, Director
Jeanette Hallman, Director
Donald E. Butow, President, Board of Directors

2. HEARING OF COMMENTS OR QUESTIONS FROM THE ATTENDING PUBLIC.

Nothing at this time.

3. CONSIDER HEARING OF URGENT ITEMS RECEIVED SINCE THE AGENDA WAS POSTED.

Nothing at this time.

4. APPROVAL OF CONSENT CALENDAR.

An invoice was presented to the Directors for services provided by the Minasian Law Firm for August 2009. The invoice was received immediately after the Board Packets were delivered and rather than have the provider wait another month to receive a payment, the billing is now being presented for approval to pay.

MOTION: Approve payment of invoice as presented.

Voege/Reuser Discussion CARRIED
Ayes: Voege, Reuser, Hallman, Pool, Butow
Noes: None
Absent: None

Abstain: None

The Consent Calendar was presented.

- a. Financial Statement.
- b.-1. Bills Paid since those approved at last Meeting.
- b.-2. Bills Paid as approved at previous Meeting.
- c. Bills Payable.
- d. District Activity.

After review, a Motion was made.

MOTION: Approve the Consent Calendar as presented.

Voege/Pool Discussion CARRIED

AYES: Voege, Pool, Hallman, Reuser, Butow

NOES: None

ABSENT: None

ABSTAIN: None

During discussion, General Manager Koehler informed the Board of Directors that the Sonoma County Water Agency is talking about pulling the drought emergency notice on October 3, 2009.

5. DIRECTORS AND STAFF REPORTS AND DISCUSSION OF NON-ACTION TOPICS.
(Agenda Item #6)

a. General Manager Koehler reported on the topic he discussed with the Directors at the recent Continued Regular Meeting at which the Board acted by Motion to support the County in efforts to regulate water development in inland subdivisions. He attended a meeting with the Mendocino County Water Agency and the Environmental Health Department yesterday and then a couple of hours with the Planning Commission today to discuss this topic. There is no action to be taken at the moment; there is general agreement that the provisions for water supply availability for minor subdivisions in Inland Mendocino County is too lax, but that it doesn't need to be as stringent as the coastal guidelines. Then there is also a feeling that the coastal guidelines, which are more stringent, need to be much more stringent yet. The concern is primarily that the Village of Mendocino itself has a water district and yet people are allowed to drill wells, and those wells impact the ability of the water district to supply water to its regular customers if more wells are drilled. The Coast itself is water poor. This was brought to the RV Board because of a pending 8-unit CORRECTION: Meeting of 12-17-2009: second 4-unit subdivision back-to-back to a first 4-unit subdivision in a very small area of Redwood Valley that has the potential to impact the wells of neighboring property owners. So, there will be continued discussion; there is no change on their policy whatsoever at this point. It will be brought back to the Planning Commission over the next 6 months or so. Supervisor Pinches did speak to the Planning Commission as a private citizen but he made it pretty clear that he does not want water supply issues tied to real estate in any shape or fashion. He says it should be 'buyer beware' and if you can't drill a well, you can truck it in if that's what you want to do. Director Butow commented, So there is no consideration to be given to the guy who has a well who suddenly finds himself with a neighbor next to him sucking his well dry. GM Koehler answered, Well as I said, I think it is a good group of people that are meeting and the discussion is definitely there that some evaluation of the availability of water supplies needs to happen. The problem being that the primary source of money for doing a massive groundwater study typically is the government. And the government puts some strings on it which basically says, o.k., we'll give you the money to do the groundwater basin study, but we want you to turn around and institute a groundwater basin

management enforcement plan; this is inviting “big brother” into the bedroom in a big way. So there are all those issues. In addition, I brought up the issue of, You’re talking about a well to approve a future minor subdivision, what about the fact that people can drill wells to augment their domestic water, which is in some ways actually a benefit to water districts if they are not dependent on that for revenue? It really doesn’t make much sense to grow a garden with drinking water; so there are all those issues. It was a good preliminary meeting that brought up a lot of issues that are going to have to be worked on over many months. It’s a start but it may end up going absolutely nowhere because it costs money, and there isn’t any.

b. Director Voegel said he has spoken with Jonathan and Katrina Frey and they are very willing to have the District mark its ag main line location that is on their property. Director Voegel feels this is an important thing to do to help them identify where to be careful and to keep the District crew from having to go to emergency calls. General Manager Koehler said, Again, the decision needs to be made; if we’re going to mark ag lines, we are going to mark all ag lines. It’s going to be very expensive and the ‘markers’ tend to disappear. We have had markers on all the Valves, and again, a lot of those markers are gone, especially the ones that are inside the property lines. Even though we have the easements and the markers are where they are supposed to be, they are usually in the turning radius of the equipment. I think it’s important to take this idea very seriously because we can eliminate some emergency repairs by having the lines marked. In reality, the property owner is supposed to call Underground Service Alert (U.S.A.) to notify the underground utilities that they plan to dig. This gives the utilities in the area the opportunity to mark their lines before the property owner proceeds.

c. Director Voegel reported that he spoke with newspaper editor K.C. Meadows this morning. He expects the District will hear from reporter Zack Cinek to get some information about customers who have done outstanding jobs in making substantial reductions in water consumption. A recent newspaper article featured some Millview Water District customers that have gone above and beyond the call, and the Redwood Valley customers should be recognized also. If staff could phone some of those people to see if they would be willing to meet with the reporter, it would be great to feature them.

d. Director Voegel said Supervisor Carre Brown attended the frost protection meeting this morning and the local area came out pretty poorly. Supervisor Brown might be able to come to this meeting to provide a verbal report and we should allow her to take the Floor at that time so that she can share the information with us and then she will be able to leave at a reasonable time.

6. DIRECTORS AND STAFF REPORTS OTHER THAN THOSE LISTED IN GENERAL MANAGER’S REPORT. ACTION TOPICS. (Agenda Item No. 7)

a. Results of Declaration of Candidacy filings.

There were three openings and three parties filed for those openings.

The three Filers were Director Butow, Director Hallman and Director Reuser. So they will retain their Seats on the Board of Directors and going to Election will not be necessary. The Board of Supervisors will officially make these Appointments at a future BOS Meeting.

b. General Manager Koehler told the Directors that he has located an on-line Ethics Training that is available at no cost.

c. There is also an on-line Sexual Harassment Training, also free.

d. These two classes are a requirement but the Directors may choose another option from the on-line classes, and that is, to find a class to attend.

7:20 P.M. Supervisor Carre Brown arrived and was welcomed and asked to provide her report of the meeting held this morning.

Supervisor Brown said, At the previous meeting on August 13th, all the enforcement agencies as well as all the biologists and all the SWRCB staff, gave Mendocino County “A+’s” and were absolutely bowled over about all the progress we had made. This time, and there must have been 50 people in the room representing all kinds of interests and locations, they just basically spent the time just tearing us apart.

Director Butow asked, Were these people officials?

Supervisor Brown answered, There was a mixture. Friends of the Eel were there, the Coastal Action Group, most people didn’t identify themselves as they were tearing us apart, so I asked for a Point of Order for the Meeting and that people identify themselves. I really think it is a struggle within NOAA fisheries, the enforcement vs. the biologists. We have made such significant progress of what we are doing and we are addressing every one of their points. But I think where Victoria Whitney of the State Water Resources Control Board Water Rights Division and some of the Enforcement Division were coming from, is that they want in-stream flow gauges. They want us to do their work for them, and make it mandatory, and it’s kind of a carrot with a stick; you’re going to do this for us, or we’re not going to speak very highly of you with SWRCB. So, I find myself in a position today, and I’ve gone through these battles for more than two decades with agriculture and forestry, and I have to be a cheerleader now and we just have to keep going forward. It’s devastating for the individuals like Sean White, Dave Koball, Al White and Laurel Marcus with the Fish-Friendly Farming program – they also tried to tear that program apart. There are competing programs as we all know. There was Mendocino, and the vineyards and the wine institute, the Sonoma grape growers, etc., etc. It was a bashing of Fish-Friendly Farming, which is a program that was written and started for vineyard people to address water quality issues, such as sedimentation. This is a third-party certification team made up of biologists from Fish and Game, NOAA fisheries, North Coast Regional Board, Fish Friendly Farming and the ag commissioners, and it was beat-up on to try to discredit it in order to bring up other groups in order to present their plans. That was mainly a Sonoma County thing and we just got caught up in all of that. I truly feel that the best thing we can do is to continue on the road that we’re on. We do have funding through AWEP (Agricultural Water Enhancement Program) which is through your Natural Resource Conservation District and we have to go forward. We have a good story to tell; we have certainly come up to the plate; we have done what they originally asked. I just go back to collusion on some of it; look at what happened last spring. We were at the table and the next thing we knew, NOAA Fisheries is issuing a letter saying, no frost protection for the Russian River Watershed.

So, last month it was like, wow, you’ve hit a home run; this month they just kept adding on more and more, and the bar just kept being raised. I think it had more to do with in-stream flows.

Director Butow asked, Are they talking a meter in every vineyard?

Supervisor Brown clarified, Every stream, and in several more places. I think that is where they’re going and what they want to see. As we all know, the allegation is that it was a main stem problem so why are they going up in the tributaries? In Sonoma County it was a tributary problem. We have done everything that they have asked.

Director Voege commented, It sounds like they are looking at approaching it as one size fits all.

Supervisor Brown answered, In a lot of ways they want us to do, and I think it was said at the Flood Control District Meeting last Monday night with their going to licensing and some other processes they are going through, is that the State Water staff wants us to do their work for them.

General Manager Koehler offered further information, For those of you who have not been following this closely, basically during the 2-year ago spring frost, there were some fish takings. We still don’t know how many, or where; just that there were some salmonids that died. This year, going into the spring frost protection season, the National Marine Fisheries Service asked the State Water Board to prohibit all frost protection water deliveries in the Russian River Watershed. That would include Redwood Valley. Charlie Hoppin, the Chair of the State Water Board only denied that request at that time because it was issued a week before frost protection

season started. But NMFS is actively agitating to prohibit frost protection water deliveries in the Russian River Watershed. Period. Their general feeling is that if you need to frost protect grapes, you shouldn't be growing grapes. That is not my quote, that is me telling you what they are saying. This ad-hoc group that Carre described, and I have been attending the meetings but have not been active, is the latest acronym of URSA which is the Upper Russian Stewardship Association. This is primarily the Flood Control District, the Farm Bureau, Fish Friendly Farming and Winegrape Alliance. What they have done is tremendous, they basically calculated that the instantaneous withdrawal on Russian River water downstream of Coyote during a frost protection event, is 80 cfs. So, in one year alone, they have either built ponds or planned for building ponds next year; and they have taken 80 cfs of demand out of the river. Most of the ponds were built in the Hopland area. In addition, the Redwood Valley District partially funded the new U.S.G.S. Stream Gauge at the Talmage Bridge. And the Flood Control District has been working with the Farm Bureau. Primarily, Dave Koball has really refined their reporting procedures in terms of getting the information to Sonoma County Water Agency so they can make the releases from their dam more appropriate to the downstream demand. So, literally in one year, Mendocino County has done everything the State has asked for. And now they are turning around and asking for more yet. But what NMFS wants is, No Frost Deliveries, Period. So, for those of you who aren't following this, or if you know people who are withdrawing from the river, let them know that they need to get engaged with this, because now that the main stem has been largely resolved, they are now going after the tributaries and the West Fork is considered a tributary of the Russian River.

Supervisor Brown stated, In fact, they brought up West Fork at the meeting today, and what we have done to address West Fork.

General Manager Koehler said, I calculated, by going onto the Department of Water Resources website and just looking at who has permits that I am aware of, not even addressing the issue of the Riparians which are not listed in there, the diversion going out of the river for frost protection that is legal, should be around 10 cfs. Sean White said he and Dave Koball went out and looked at the river during several events, and they are estimating what is being drawn to be around 20 cfs out of the West Fork above The Forks. So, there will be regulatory people out, looking up and down the tribs this frost protection season...Forsythe, West Fork, up Tomki – they'll be out.

Supervisor Brown added, Just to clarify my involvement as well, for those of you who may not know what has been going on, I started this process with the Farm Bureau and when I went on the Board of Supervisors, I asked my fellow Board Members to approve my continued participation, and they did approve that request. So the County of Mendocino is also a participant in working toward a solution.

General Manager Koehler repeated, So if anyone here knows anybody who has a pipe in the river, whether it is permitted or not, they need to be very aware of the impact that action is having on the flow of water in the West Fork. Anything that is depleted from the West Fork has to be made up for by releases from Coyote. And as any point anywhere in the entire watershed is dewatered, NMFS will come in and demand that the State Water Board cease allowing frost protection water deliveries.

Member of the public, Will Carson suggested that the audience be informed as to the cost per fish.

Supervisor Brown answered, It is \$8,000 for Coho and \$5,000 for Steelhead and it does not matter what size. So far, the number of agricultural entities, including the construction of pit ponds below Coyote Dam have participated and \$2.3 million dollars has been spent in either the

modification of a pond, or in new construction. This will take quite a bit of the strain off the flows during critical fish runs; and being a drought year like we're in right now, the less water having to be released will keep the level of the Lake up and will provide water for Redwood Valley as well as keep us in water until we fill up in the winter.

Director Voege reported on a radio program he overheard recently in which the program had to do with 'water'. The two people discussing the topic were Mr. Hope, the Executive Director of Friends of the Eel River and the other was a person from Willits who was active somehow with Willits water issues having to do with the South Fork; and they were basically agreeing with each other on the subject of how bad off the Eel River was. Director Voege said he wasn't in a location where he could make a call to the radio station to offer a different point of view. As a result, the whole program had no counter, and, they are getting that viewpoint out to the public.

Supervisor Brown said she attended a meeting in Eureka on August 22nd where Mr. Hope also spoke. He talked about the bad shape the fisheries are in, in the Eel River watershed, and that they could hardly find fish. Supervisor Brown said she very nicely and very pointedly inquired of him where they go to count fish, and he acknowledged the fact that historically they counted the fish at Van Arsdale Dam. So she wondered where else in the vast Eel River system did they count fish. Mr. Hope responded, No place else.

Supervisor Brown added, That is why they are putting the target on our back. Also, she has arranged a Water Workshop for October 27 at 1:30 p.m. at the Board of Supervisors Meeting so that everyone can come, including RVCWD, to give a report as to where we've been, what we've done, where we are now, and what planning we need to do for the future in case we have another year of drought.

She continued, This whole program that has been put together by URSA and we're hoping to have a power point presentation from them; it's pretty amazing what they have done. We need to do this, to inform the full Board of Supervisors; after what happened at the meeting today, we may need their political support. They need to have the knowledge to be able to say, we have done what we said we would do.

Supervisor Brown also noted that the Emergency Declaration has to be renewed every 14 days and that it cannot be continued into the winter if we start receiving winter rain.

The Board of Directors thanked Supervisor Brown for bringing this important information to the RVCWD Board of Directors at the end of her very long day.

Member of public asked Supervisor Brown, Can you comment on General Manager Koehler's report that there seemed to be a sentiment that diversions from Lake Mendocino constituted to have a potential to create a 'taking' downstream from Coyote. I think that that's a rather tenuous argument to make. Is that your understanding that that's the sentiment being expressed in terms of the Redwood Valley water coming out of Lake Mendocino, that it could eventually result in a 'take'?

Supervisor Brown answered, No, we're all being held accountable. Don't you agree, Bill?

General Manager Koehler said, I think they are looking at this as the Russian River Watershed. If there is a frost prohibition, it will be for the watershed. However I don't agree with that, in the sense that what we take out of the Lake does not impact the flow in the River during the spring. It may impact its ability to release water later in the fall, but if the Lake is full or fullish then we will not be impacting it, but we will almost certainly be lumped-in with the prohibition. If there is a prohibition it will be for the entire watershed.

Supervisor Brown added, On a good note, it is my understanding that NOAA did write a letter to FERC indicating the mistake made for the frost water for Potter Valley. So that will get fixed and hopefully now we can go on to the next part of the licensing. There were mistakes made in the licensing that can also get corrected, and that's giving us our fair share of flow, and that will be filling up the Lake as well.

Supervisor Brown left the meeting at 7:45 p.m.

7. WATER RATE ANALYSIS AND PROPOSED NEW RATES. (Agenda Item No. 9.c.)

Director Voege commented, I've been thinking about the basis used for all this calculation; it is the revenue projection for a basically bad year. As I said at the last meeting, it bothers me to be making rate projections based upon the amount of water, and that still bothers me. It's one thing to handle an exceptional case as an exceptional case, but to say it's a standard case when we don't know that that's true, and then deal with it on that basis, I believe that's a problem. So I did a little calculation primarily on the ag side. I have also looked at the domestic side and I don't think people are going to get really excited because the increases really aren't that big for people that are using less than 20,000 gallons per month. So my projection is based on the assumption, instead of the assumption of selling 1,000 Correction: 1,500 acre-feet, let's assume it rains normally, and we sell 1,500 Correction 2,000 acre-feet. And the rates go down dramatically. Pick a number for a target, but I think 1,000 Correction 1,500 is probably a wrong number, and if we need to use some of our reserves in this fiscal year to compensate for the fact that it's an off year, I think we need to do that and not make that a base rate.
(Corrections above: 12-17-09)

Director Hallman added, One of my problems is that we don't know how much we are going to be paying for water and we don't know if we'll be buying Flood Control water or Sonoma County water. If we get Flood Control water, would we be making refunds?

General Manager Koehler said, The difference will, maybe, be about \$20 per acre-foot; it won't be that huge. Director Voege added, It won't be a huge difference.

Jack Spilman asked, What happens when the Lake is at a high level and it's free water?

General Manager Koehler answered, In a really, really wet year, we might get "free water" for 6-weeks, which saves us \$60.00 an acre-foot for water itself, but if we have to pump during partial-peak hours to get that water over here, then our costs increase dramatically. That's one of those things that really killed us during the 18-day frost season, when we were pumping during peak hours. That drove our costs up substantially. So, there are a tremendous number of variables involved with this.

Further discussion continued.

Director Butow commented, It's like playing hardball here, trying to predicate everything on a drought year and not on a normal water year. At the same time, the difference between the two turns out not to be as big a difference as we would like to think it is.

Member of the public asked, Why aren't we looking at water from other sources, such as wells?

General Manager Koehler responded, Could we please rephrase that question? Could you ask instead, What have you done already to look for water?

Jack Cox asked, What have you done already to look for water, and how much money have you spent doing so?

GM Koehler answered, Let's just throw-out there first, the attempts to obtain some sort of water right, whether that is Mill Creek or West Fork or other sites. That was about a half-a-million dollars during a three-year period. Since I've been here the past three years, the focus was on trying to find multiple wells, ideally on our own property. We did drill two wells on the District property at this location. We spent \$50,000 to drill two wells. One well at 200-feet was dry. The other well at about 400-feet deep produces 3-1/2 gallons per minute.

Several members of the public stated that this location is known for poor wells. GM Koehler said that we understand that, but this decision was based on the fact that we hired a hydrogeologist and we are aware of a couple of wells in this area that are actually pretty decent. Director Butow added that we also had the State on our backs constantly telling us to do something. GM Koehler continued, So we had some hope for this. Again, Directors Don Butow and John Groth and I went over to Sacramento and asked them specifically about the Cox property. This was more like a year-and-a-half ago and we said, O.K., here is a description of these wells that might have a decent yield; and, Are you going to let us take that water? And basically what they told us was, You find anybody that is a hydrogeologist who says that this is groundwater, we'll let you take it; but, the minute anybody challenges it at any time in the future, we will take their side and we will hand you a cease and desist order telling you to quit taking that water because it is underflow. The fact that it's within 50' of a creek that is tributary to the Russian River - and witness what the State has done with Millview on the Hill-Gomes well, witness what they've done to Willow with their Burke Hill wells, witness what they're doing to Hopland: if you are anywhere near the river or a tributary, they are going to call it underflow. In fact, they would choose to claim that all water ridge-top-to-ridge-top is underflow. That is their stated position. So we are scared of any water that happens to be near a tributary or the river. In fact, in our search for finding a well, as a public entity, we have the authority to petition the Department of Water Resources for well logs; these are not available to a private citizen. So we have looked at the well logs of the entire valley. We have studied the USGS bulletins on the groundwater into Redwood Valley and basically what it says is, good luck. It's a very narrow valley and if there is any water, it's going to be in the alluvium right next to the river. And that is historically what we see. There are a couple of 200 gpm wells in the valley that are right next to the river. So, if we try to go after those wells, the State is going to call it underflow. So that is what we have done on wells.

What have we done on storage sites? We have looked at a minimum of four storage sites since I've been here and they all pencil out at somewhere in the neighborhood of \$40,000 - \$50,000 per acre foot of water storage. We also looked extensively at the canyon going up Marina Drive and at first glance, it looks like a real nice canyon but when you look at the topography of it, it's not. And it is a Class 3 stream, which means that water flows through there part of a year and there are critters that live in there that are dependent upon seasonal stream flows. So what we really need to find is somebody's vineyard that's in disrepair that you could buy for a reasonable price. Not only get at a reasonable price but not eliminate viable agriculture in Redwood Valley. We have no interest in eliminating the agriculture. The ideal location would be somewhere between the intersection of Colony Drive at Road I, and the lake, because that's where we have the 30" transmission main and in order to fill a pond, we have to pump a tremendous amount of water; and through the 30" main, we can pump 7,000 gallons a minute. But in order to fill a 2,000 acre-foot pond with a 6-inch main, it's not going to happen. So to answer the question, what have we done? I think we have turned over an awful lot of rocks.

Director Butow stated, That's not to say we have stopped; we haven't given up searching.

General Manager Koehler added, We are testing another well right now, as part of our survey. In fact, we almost have to put together a portfolio of water projects because there is no single 800-gallon-per-minute magic well in Redwood Valley. It isn't there; and that is what we would need for the domestic side only. That would not do a thing for ag. In a normal summer, we make 800 gallons a minute of water.

Member of public asked, Excuse me, we're basically talking about a reservoir or something just for domestic water and not ag?

GM Koehler answered, Again, because of the cost impact, in rough numbers what domestic pays for water is about \$1400-\$1500 an acre-foot. It goes through a treatment process that is labor intensive and chemical intensive and electrical intensive. Ag water we sell at about \$150-\$180 per acre-foot. So, if you look at it and say, o.k. we're going to add a thousand dollars an acre-foot to water – on the domestic side you say, o.k. that doubles your rates. That sounds awful but you add a thousand dollars to the cost of ag water, then you've increased that water by 500%. And the storage costs come out the same.

Public: You said, if you get a reservoir or pond, it would be for domestic water.

GM Koehler responded, It would probably be domestic water only because the cost of the pond would be prohibitive for the sale of ag water from that storage. Our assumption is that a project would cost \$20 million to store 2,000 acre-feet. I think \$10,000 per acre-foot is probably a realistic number, based in part on the engineering studies we've done in the past and based largely upon present day figures that are coming out of these new ponds that Supervisor Brown was talking about earlier, like the Beckstoffer pond or the Fetzer pond down in Hopland. That's about what it's costing per acre-foot for a lined pit-pond. In other words, it cannot be on a stream anywhere, because AB 2121 is saying, You will not dam a stream.

Public: The problem is that the longer you wait, the more it's going to cost.

Director Reuser clarified, We are not waiting, we are actively seeking these locations.

General Manager Koehler added, Which in part, I have intentionally included rates that will provide some kind of money to do something with in the very near future, because even though our \$7.2 million construction loan from the U. S. Bureau of Reclamation has been suborned, in other words it has been put back and as a condition of putting it back, or postponing the repayment of it, this means that there is no more federal money available to the District. So we are not eligible for federal money. The only way we can build a \$20 million pond is to go to the bank, or pass a bond issue or raise rates. The going rate for a Special District or local government entity such as us to borrow money is \$60,000 per year, per million dollars borrowed. So if we needed to do a \$20 million dollar project, that's 20 times \$60,000 per year, divided by 1340 customers. That's \$100 per month to customers, on top of their water bill.

Public: Well, we don't have any water. We have to find it and if we customers have to pay for it, we have to pay for it.

Director Voege stated, We're hearing from some customers that they find that very difficult.

Public: Well, I find it very difficult to have a hundred extra dollars added on my bill, but I'd do it to have water.

Director Voege remarked, The other side of that, though, is for all the efforts we've gone through, and we've gone through a lot on both the downstream side of the Russian and also the West Fork, the thing that is the bottleneck, the thing that's stopping us is that, even if we had the water right for flow down the river, we had no place to put the water. And we couldn't get money to build a place to put the water as long as that loan was outstanding. And that, literally, took an Act of Congress. Until last year, we couldn't get any funding.

Director Butow recalled, One of our previous Board Members encouraged us to contact Nick Tibbetts, a legislative consultant working with Doug Bosco, to work on our behalf in the effort to get legislation passed to postpone the District's repayment to the Bureau until some future date. And with the cooperation of Congressman Mike Thompson and others, it happened. Bottom line, it took us 2-1/2 years and \$360,000 to the consultants, to get that done.

Public: When is this future date for repayment?

Director Butow answered, Whenever we complete the buildout of our District and pay off the loans incurred to do so. Until then, no interest is accruing; it will be \$7.5 million dollars and the year 3000. It allows us to approach lending institutions to obtain that funding.

Director Voege commented, During the 2-1/2 year process, we had some people telling us that we were throwing that money away.

Director Butow mentioned that the State has received stimulus money, but he doesn't know if that would be available to the District.

General Manager Koehler reported, I have looked into that very issue. Essentially, the Department of Public Health is distributing the money under the State Revolving Fund program, even though it is 100% federal money and there is no State money in it. The previous money was a combination of State and Federal, this isn't. I actually filed for Stimulus money in both rounds that have been available. The Department of Public Health, being fully aware of our problem here, was willing to call 100% of the money we would receive, State money. They would say, We are paying Redwood with the amount of money left in the State fund; anyone else will get Federal money. But we didn't make the cut. Part of the problem is that, again, we don't have the piece of land to develop. That's the other key that's missing in this whole process. Maybe we could get started with 40 acres, it really is not enough; we really need about 100 acres. Doing two or three smaller ponds would be more expensive per acre-foot but fine, so be it. We haven't found a piece of land to buy that's suitable in the location where we need it.

Director Butow added, We were really close on a couple of properties, but we got beat out by the timing and other people bought those properties.

Mark Edwards said, I am a member of the Farm Bureau and I did attend the Farm Bureau Commission Meeting that was mentioned previously. Has Redwood Valley District had an opportunity to think about the Scout Lake project? The County is moving forward with that project and they have a feasibility study on the table for review right now. I haven't had a chance to see it, but I believe the initial estimates are somewhere between 1,000 -- 2,000 acre-feet yield, per year, potentially to be developed up to 5,000 acre-feet. At that water meeting, Bill, I don't mean to paraphrase your comments, but I believe you seemed to throw water all over that project as being non-doable and impossible.

Director Voege asked, The project is doable, right?

GM Koehler responded, The project is very doable, but not for us.

Mark Edwards said, I think our solution is to find more water here, and I don't think you guys are taking this seriously. When I was serving on this Board, we were spending \$2-1/2 million dollars searching for water and we were looking at far more outlandish locations than Scout Lake. The water is there.

Director Butow responded, The water is there, but not the piping.

Mark Edwards added, Well, this is being headed by the Mendocino County Water Agency and your solution is to pump less water to get the cost down instead of pumping more water. I think at the very least, this Board should consider investigating that and maybe writing a letter of support for the project; maybe not committing to it, but it's going to take somebody who wants to buy water to make this happen. They've got nobody in line right now.

General Manager Koehler stated, Yes, I have had, and some other Board Members have had, a number of discussions with Supervisor Pinches who is the current main driving force behind the Scout Lake project. There are two main problems: a) the cost of the pipeline vs. the amount of water delivered, again, drives the price of water up, astronomically. And b) perhaps an even more important barrier to this project is, that's Eel River water. We have an ongoing battle with Friends of the Eel already over diverting water from the Eel watershed to the Russian watershed. And if it were proposed to do it again, it would cause so much political mayhem, it wouldn't even be funny.

Mark Edwards responded, I don't mean to be harsh but, you know, if you have that attitude you might as well let somebody else have your job who wants to fight the battle. Because, I'm telling you, it doesn't sound like we have much fight left in us any more to try and get some water. We're all of us just prepared to run the price up until the ag goes away and then we'll just rat-run it up on the domestic people.

GM Koehler commented, You're right. I'm not willing to tilt at the Eel River wind mill.

Mark Edwards responded, Well then we're never going to have any water. Because you're not going to get it out of the Russian, it's not there.

Will Carson asked, What is the cost per foot of pipeline to get it over the hill and down into Redwood Valley?

General Manager Koehler answered, You can figure a dollar per inch-inch for pipe; which means that, say, for a 12-inch pipe that would be at \$12 an inch-inch, so \$144 per foot for a 12-inch pipe.

Director Butow asked, and how many miles?

GM Koehler said, It depends on which route you take. From here to Willits, about 9 miles; and it cannot be a 12-inch pipe because Supervisor Pinches' vision is that this water is going to solve the inland water dilemma. So, 9 miles would be a minimum of \$12 million dollars, just for that pipe.

Mark Edwards commented, If the County of Mendocino does it, the County of Mendocino gets grant funds. They could sell you the water on a wheeling agreement; they are not constrained by the same concerns on the Eel.

Director Butow said, As I understand it, your contention is that the project is going forward but it has run into a hurdle that they are not getting a buyer out of Brooktrails or Willits?

Mark Edwards replied, They don't have anybody that has signed up for the water. Everybody is going around thinking about it, but nobody - I think it would be foolhardy for us not to sign on and say Hey, we're all for developing more water in this County and, count Redwood Valley in! I mean, whether or not we end up with it is another thing, but you know, you've got to start getting critical mass and you have to start people saying we want the water. How is Supervisor Pinches ever going to get this through if nobody wants the water. We sit here with no water, and we don't want it? I remember, Don, when I was on the Board, we spent a whole bunch of money on trying to divert the Eel River at Dos Rios. That was feasible to you in your mind when we spent that money. This is a cheaper project than that.

Director Butow said, We backed down on that Eel River because we got no cooperation from anybody else. That project was way too big for Redwood Valley. We stopped at \$85,000 on that project. And then of course we spent a bunch of money on the Mill Creek and also trying to do something on the West Fork of the Russian with the high winter flows.

Public: Excuse me, if the Board decides to spend money on the Scout Lake project, wouldn't other water districts want to go in with us? I mean, doesn't everybody in Mendocino County need water?

Director Butow commented, You know, one of the things when Mark was on the Board that we kept running in to, also, was the lack of cooperation between Districts. But that has since changed.

Will Carson commented that Millview was in good shape at that time.

Jack Spilman said, And it will go back to the same old thing, once we get some rainfall.

Director Butow said, The difference is that with this drought situation, the one thing that has happened is that the water agencies have started working together.

Jack Spilman stated, I think what he is saying is that we should strike while the iron is hot. If everybody is basically working together, then it's time to strike while the iron is hot. It's time to move on it; if you sit back, nothing is ever going to get done.

Director Butow remarked, You've brought up something that we will certainly look into. If the County of Mendocino as you pointed out, is the spear on that effort to get the Scout Lake water developed for Mendocino County, they would have better luck in getting around this Friends of the Eel issue than this District alone ever would. Perhaps we can look into this.

Mark Edwards urged, Let's not be like Mendocino County was with the Coyote Valley/Lake Mendocino project. Let's not say, aww, we don't want to do it, and then let somebody else sign up for it, then they get it and we say, Oh, we should have gotten that. I mean, I don't think it would hurt to investigate this totally seriously.

Director Butow commented, If it looks like we're being a little bit cynical, it's because we've been beat up so many times and we've run down so many alleys that looked good and then somebody has slammed the door in our face.

Director Voege asked, Suppose we got a 16" pipe of water coming down from Scout Lake into this valley, where do we put it?

Mark Edwards stated, Well, we'd have to develop some storage for it.

Director Voege said, On top of the money it costs to bring it here.

Mark Edwards asked, Could we store it in Lake Mendocino temporarily?

Director Voege answered, No, we can't because the Corps of Engineers won't let us do that.

Mark Edwards suggested, Maybe we can we take it on demand; maybe we should take it out of Centennial Lake in the City of Willits. I don't know the answer to that. Listen, I was on the Board and I got frustrated like you got frustrated and I know it's a tough deal. This water deal is going to get nothing but worse; and we have to figure out some way to brave our own fears and go out there and try to secure some water and not be daunted by, Oh I don't want to take water out of the Eel River and put it in the Russian River. I mean, we need to fight to get some water.

Director Voege responded, No, that's not true. One of the things in fact, that makes a lot of sense in the sort of thing that you are saying, is that either the County or a consortium of water districts get together and do it. But one Water District by itself, just doesn't have the clout to get it done.

Director Reuser inquired, Is there any negative impact on the Redwood Valley County Water District that we write a letter supporting the project? I mean, it's a big hole for Mendocino County. One of the things we hear on projects are when people have something negative to say about it. Whether it's feasible or not, whether we can afford the water or not, I don't have a problem saying Hey, new storage, wherever it is in Mendocino County, is a good thing. I'm with you; let's deal with this Eel River thing.

Member of public: What my thought is, is what we should have done years ago and we should be doing it today. We should sue Sonoma County for water out of that Lake there. You know, you've got the County of Origin and you've got a lot of that water in that lake down there, and I think that if you went to Court on that, you're going to win. Then you've got a lot of extra water around here that's gonna be our water. But, you know, it costs money and at some point in time you've gotta do something.

Director Butow said, In our war chest fund, or whatever you want to call it, first you have to identify your project and then you go after it. And the Scout Lake project could maybe be talked up a little bit to find out how serious everybody is about it. When John Pinches first approached me about it, the idea was that we were going to share that water with Willits and possibly Brooktrails. When I asked him about how much water he's going to have, he said it would be about 3,000 acre-feet. I asked him if it would be split 3-ways and he said, yeah, probably something like that. So then when I asked Bill, he kind of did some numbers on a thousand acre-feet of water coming down out of there; then we found out, well, maybe it wasn't going to be feasible because the price was too high. Then at a little later date, it sounded like this water was going to just be for Willits and Brooktrails. It was in their watershed, etc. So we figured we were out of the picture as things developed for them up there. We'd be more than happy to go back and talk to them again and find out exactly what the true facts are, what the true figures are. How much they can guarantee us, because we don't want to spend any money if there isn't a guarantee. We're tired of this 'surplus water' status since the District was formed. And we say, o.k. 1000 acre-feet over 12 months at a time or whatever, so that we could just fuse it into our system without building a pond – maybe that's something. There are a lot of possibilities there. We are interested. If we were to get it, that is just the beginning. There's a lot of money to be spent on legal and engineering, etc., it goes on and on, but we've heard a combination of good ideas tonight.

General Manager Koehler said he would be more than happy to have a preliminary talk with Supervisor Pinches regarding this matter. He added, Roland Sanford of the Mendocino County Water Agency has been directed to go pursue this project over any of the others. This is the only project that really still stayed on the priority list. Obviously, we killed any further assistance toward the Marina Drive project they were looking at because it really didn't pencil-out, at all. So, we've taken ourselves off that list because we don't want them to waste any more money on that one. I will be more than happy to talk to Supervisor Pinches and Roland and say, Is it indeed a fact, that you don't have a buyer for that Scout Lake water and then pencil it out and say, O.K., what are the arrangements that can be reached for us to purchase the water. I will gladly do that, and with full enthusiasm, but the reality of the situation is that the easiest and best and cheapest way to get Eel River water is to open the valve on the tunnel, a tiny bit, and we can't even do that.

Director Pool stated, That's what I was saying before I was ever on this Water Board when John Pinches was trying to push the other project at Dos Rios, why build a whole big new pipeline when everything is already in place. It just doesn't make sense.

Member of public asked, Question -- if it's a 20" pipe or 10" or whatever, who says that Redwood Valley has to run that pipe? If it's the County Board of Supervisors, wouldn't they kick in?

Director Butow commented, Well, that's a thought. If we could make it a County project and they had a guaranteed purchaser...

Member of public, Yes!

Director Butow continued, And for whatever it was and we buy it from them and let them do the battle with the Eel River folk.

Director Pool interjected, And their own money.

Director Butow stated, This is the thing that we kept running in to every time we tried to find some water or to get a project going. Either nobody wanted to listen to us or they would put it down on pencil and paper and say, you're too little. They wouldn't support it. But so much has changed in the water district world of Mendocino County and things are different.

Director Pool added, While we are on that line of thought, what occurs to me is that the biggest difference, aside from size and other financial resources to do the project, what the County would have that we don't have is the ability to apply for federal money.

Member of public, That's a wonderful idea!

Director Pool continued, We appreciate this kind of participation; it's wonderful and very welcome.

Another member of public asked, If I heard you earlier, you were saying that you don't know what it's going to cost you for the water if you get it from Sonoma County or?

Director Butow explained, The surplus water agreement with the Russian River Flood Control District was at a set price; but then they got into this low water supply situation and with all their new procedures in monitoring the water, they were able to determine that they no longer had any surplus water to sell to Redwood Valley. You may remember that several years ago the Flood Control District and Redwood Valley District went down to the Sonoma County Water Agency to make a deal for about 13,000 acre-feet of their surplus water. It went round and round and finally we hired Consultant Nick Tibbetts, the same man who helped us with the Federal loan, and he

negotiated an agreement, he thought between the SCWA and Mendocino, but it turned out that there was something in there that said they would agree, but in doing so, the County of Mendocino would have to give up its Right of Origin. Of course, that blew up and it never happened. So some years later a couple of us Board Members went down to a Proposition/Bond Meeting, and Randy Poole was also there. So I spoke with him and expressed regret that the agreement couldn't work out, but wondered if there was some way that something could work out between the SCWA and the Redwood Valley CWD. So about a year or 18 months later, with small meetings here and there, the Sonoma County Water Agency came up with a 5-year agreement whereby Redwood Valley could buy 3,000 ac-ft of surplus water, provided that we could no longer purchase surplus water from the Russian River Flood Control District. Thank goodness we got it all put together before this drought business happened. So when Russian River Flood Control District informed us they had no surplus water to sell, we contacted the Sonoma County Water Agency and we have been purchasing SCWA surplus water since last October. The 5-years will be up this year in October and we are looking to renew.

General Manager Koehler clarified, It, clearly, is going to be a different arrangement. It's going to be rolled into the whole D1610 business and what SCWA has done in terms of all of their contracts—and the reason that we're not getting phone calls back is the same reason the City of Santa Rosa is not getting phone calls back, Rohnert Park, North Marin – nobody is getting calls back. We're pretty much the tin-can-tied-to-the back of the caboose in this whole picture.

Director Butow commented, The General Manager of the RRFCD, Sean White, is a former employee of the Sonoma County Water Agency and he has a lot of contacts down there. The word we're getting is to just be quiet and let SCWA take care of the giant issues they are dealing with on the operation of the lake over here. That is the D1610 business, about trying to do what they did this year on a temporary basis, and trying to hold more water back in the lake to try to make that a permanent operation. It also contains a whole raft of other issues, including Russian River Flood, etc., etc., etc.

Member of public said, So, let's assume that Sonoma County doesn't sell us the water or makes it cost-prohibitive – it's my understanding that the Flood Control District has some water they can sell that somebody isn't using right now. What's going to happen is that if they've got water to sell, somebody is going to take it and Redwood is going to dilly-dally around and then say, we screwed up again.

Director Butow, No, no –

Will Carson added, There are times when you don't dilly-dally around, and it ends up that your request is put on the back burner anyway.

Director Butow stated, This whole thing with the surplus water came out of the 1980's when the Flood Control District sued us in an effort to try to get out of supplying any water to Redwood. And the Court came back and said, no; you will supply water to Redwood on a surplus basis. So the FCD has been doing it, until this past year when they had no surplus water to sell. As it stands now, we have made it plain to the Flood Control District that if and when there is water available, then we will pay them for their water and not to Sonoma County. That has already been addressed with the Flood Control District. At this point they have not come back to Redwood to say they have water to sell us.

Director Pool added, And furthermore we have made it clear to them, and I think they clearly understand, that if we could get a permanent contract with them to be annexed into the Flood Control District, that would be our desire.

GM Koehler said, I have confirmed that position with them, as recently as last Monday night.

Director Hallman asked GM Koehler, In your opinion are we doing everything that we can possibly do to support Russian River?

General Manager Koehler answered, Yes.

Jack Spilman asked, Have any of the Board Members ever gone to Lee Howard, who seems to be working really hard on this, and said, what can we do to help you?

General Manager Koehler answered, Yes, as recently as last Monday night.

Director Butow informed the public that GM Koehler attends each of the FCD Meetings. In addition there are two Board Members that are appointed to attend, and if one cannot attend, the other one does. He added, Our General Manager has a very good working relationship with the General Manager at the Flood Control District. In fact, since Sean White has taken over as GM, we have the best relationship between the two Districts that we've ever had. We are very impressed with the progress that is taking place.

A member of the public asked the Board to clarify something he heard at a previous meeting about the District serving some areas outside of the District boundaries.

Director Butow answered, These are the annexed areas; these areas were annexed to the District 20 years ago; and we had forwarded all the documentation, including maps and legal descriptions, to the State Water Resources Control Board at the time the annexations took place. We had a contact at the State Board for a number of years, and we even went to her office to review everything and to find out the status of it all. Shortly afterwards the SWRCB was going through a reorganization and this lady was preparing to retire and she said all the paperwork is done. It is transferred to someone else's desk for finalization and sign off. Well with the reorganization, our Application was reassigned to someone who apparently did not have all of the prepared packet and who then requested maps, descriptions, etc., everything all over again. Of course this was all in the form of demand letters that said, do it by this date or we will turn your water off. So we would have our Attorney send them a letter explaining everything had already been done through the legal processes and had already been submitted to the State. There would be a big silence from the State, and then another person would contact us with the same demand letters, saying to get it done within two weeks or else. And we'd go through the hoops all over again. This has gone on repeatedly over the years.

GM Koehler added, The current status is that we received another deadline letter from them recently saying, you will respond immediately – and I responded immediately. They asked for yet another legal description of the annexed properties. The easiest way to get the legal description of the annexed properties was to get them from LAFCO, so I spent the morning with Frank McMichael, we pulled the legal descriptions of the LAFCO annexations which were absolutely proper, every one of them has been done. I gave them the maps, the legal descriptions, the AP numbers, everything they requested and I sent them off to Sacramento hardcopy. Then I immediately emailed the new guy who has been assigned to the case and said, okay, now I did that, now is there anything else you need from me. And his response was, I'll get back to you, I need to talk to my boss. Now, they gave me two-weeks to respond, but I don't get to give them two-weeks to respond. This is the response I have gotten every time that they send me a demand that says 'right now' and, I give it to them 'right now'. That's why we have that map on the wall, I went down to the Brelje & Race office in Santa Rosa and requested some hard copies of the map, they don't want a mylar, they want a hard copy. So when they received it they said,

this map doesn't show the annexations; but it does, it has solid lines for the original boundary and dotted lines for the annexed areas. And so on, and so on. In the meantime, they are charging us \$1000 a year to service the Application.

Break: 9:30p

Reconvene: 9:45p

Director Butow stated, Now that we've had comments and discussion on the side issues, we need to continue the Rate Increase discussion.

A first comment was, Perhaps we ought to look at the set-aside monies as a percentage of revenue instead of a hard figure of so many dollars per year, saying no less than \$50,000 for example.

Director Reuser stated, Our need to save money is tied to the cost of maintaining and improving the infrastructure of the District and not to the budget.

Director Butow commented, Whatever decision we make, it's subject to Proposition 218. What we need to do according to our auditor, is no less than \$300,000 per year. Now that's an assumption that we're going to have so much coming in per year and then budgeting around that amount. Therefore you've got to put \$300 grand into the sinking fund because you will need this down the road. But what do we do if the income has fallen so greatly. This year we have the drought, coupled with the increased costs of water and electricity and everything else.

General Manager Koehler added, And also be aware that in addition to developing the fund for replacement of existing infrastructure, there are a couple of treatment process items that are lurking in the background here. Not the least of which is solids handling: the day will come when we are not allowed to just pump our sludge off to a hole in the ground over here. We will probably end up going to advanced oxidation, which is millions of dollars; it's coming down the pike. We are monitoring for e-coli and that's going to drive us to having to monitor for cryptosporidium. Our water is lake water, it has cryptosporidium. If at some point we were required to go to the combination of advanced oxidation and/or microfiltration it will cost millions of dollars. These are treatment processes that I would say will be added in a decade.

General comments were in acceptance that these will be upcoming mandates. Unfunded mandates.

General Manager Koehler continued, Right now if you look at this budget, which contains the \$350,000 and comes to a total of \$1.4 million - that \$350,000 represents 25% of this budget. At this point, you should give me a number to work with. Give me the number of acre-feet you want me to play with, tell me how you want to adjust the rate schedule and, in addition if you want to make suggestions such as you'd like another column thrown in there that has you carrying a percentage, that's all fine. But at this point, I've created 2 or 3 of these studies resulting from each meeting and this is stage we're at, at this point.

During discussion, member of the public, Mark Edwards had these comments: I think when you read the numbers and its obvious that the numbers have to go up, and I am assuming that you have already looked at any possible savings that we could have on the budget to get the costs down. So, I have both a domestic meter and an ag meter, and I think there should be some equity in the rescheduled rates to reflect the fact that you are never going to cut the domestic meter users off, but you can cut the agricultural meter users off with a one minute notice. This budget presents a cost structure, and it's apportioned out according to what you think the true

costs to providing the services are, but it never accounts for the fact that you can cut us off. And I think that from a business standpoint, if you were to ask me, Would you be willing to pay \$220 an acre-foot and we would guarantee you a supply, or would you like to pay \$110 and we won't guarantee you a supply, I'd pay more to get the guaranteed water. At some level you need to recognize the fact that you are not guaranteeing us the water. So I think the agricultural rate should have more of a subsidy coming out of the domestic side, because they are guaranteed; you are never going to shut them off. I can be shut off tomorrow. And as to making it prepurchased water, I think that's going to cause you a lot of nightmares, because you can't guarantee you are going to provide the water. It's one thing to say you have a meter charge but to say you have to prepurchase 300,000 or 700,000 gallons of water when there is no guarantee where we are going to get it, you are immediately going to have guys and gals coming up to your desk and saying, I'm not getting that water, I'm not paying it. So I think you would be better off having a meter charge. I still think this breakdown needs to reflect the fact that you're absolutely not guaranteeing us the water, as evidenced by the sign that's right down there by the firehouse that says, Ag Water Off. Even though you covered that part of the sign for other announcements, it brings to mind that you might turn the ag water off at any moment. We should be entitled to a slightly different rate schedule because there is a risk inherent in buying water from the District, and the risk we put ourselves at. We need it, but you are not guaranteeing it; so that's a problem.

GM Koehler answered, Well, in defense of that, during this year which is the worst crisis we've had in recent history anyway, we essentially, at the meeting at the Grange Hall, we guaranteed everybody that they would get their prepurchased amount, and we have delivered on that promise this year, which is a terrible water year.

Director Pool added, And when you say that this notion of having a prepurchased amount is something that no one is going to live with, if we don't do that, it's going to be a change because everyone has a prepurchased amount now and has had from the beginning of service.

Mark Edwards added, If you cut them off now, I can only imagine they would be up here pounding on your desk, saying I'm not paying because I'm not getting my water. I mean, you got around it all these years by promising them a supply. But you get to the point where you are going to cut them off, I can imagine that issue will rear its head.

Director Reuser added, I completely support that we go with the meter charge and we go with the water that you actually use. I agree that we shouldn't be selling water that we don't have a legal contract for. Especially not preselling it. That's asking for trouble. You look at the numbers here, they are real numbers.

GM Koehler noted, Well, the difference between the two rates is pretty insignificant in terms of the dollars generated and virtually at every rate of delivery.

After further discussion, the general consensus is that the District needs a minimum of \$200,000 to \$250,000 to go into the sinking fund.

The Directors reviewed and discussed the state of the District and the budget and the existing and proposed rate structure. Recognizing the bad year we are in, and recognizing the Public Health mandates coming in the next few years, recognizing that we have to put away enough per year to make a dent in the fund, recognizing the potential hardship the rate increases could cause to the customers, they then discussed the possibility of implementing the rate increases incrementally over a period of time.

Mark Edwards left the Meeting at 10:20 p.m.

Will Carson left the Meeting at 10:25 p.m.

The Directors all agreed they want a 3-year incremental increase, with the first year to be \$100,000 and the second year \$200,000 and the third year \$350,000.

Director Pool commented, Remember we are not just putting back in the sinking fund, but contributing every year towards the major project funds.

Jack Spilman remarked, The customers are told to reduce their water usage, then they are told the rates are going to be subject to huge increases. It doesn't make sense.

The Directors agreed that during a drought-rationing compliance situation the District has to reduce its water usage.

Director Butow said, Right now the only reason that the District income is shrinking is because we don't have any water to sell due to the drought. Once we get back to the normal year flows we hopefully will have better water sales. Right now we and every other District is constrained by the fact that the lower water sales impacts the budget and you don't have the income, but yet the treatment plant still says, it costs me this much to run; I don't care if you're getting \$50 a week or a million dollars a week, it's going to cost us a half-a-million dollars to run. You come up with the money someplace; the plant is going to cost 'x' number of dollars. Agricultural water on the other hand is a straight cost of the water plus the power plus the delivery issues. But as regards to the domestic system, there is so much more than the cost of water and the cost of power.

Director Reuser added, If we don't start raising some revenue, we're going to have to shut down the District. Right now our position is, as we've heard all night, why haven't you guys done anything? Let's go fight! That takes money. We have none. We have to get into position. The only position we have with any of these Districts that I can see that I can understand, is have a hand; please help poor Redwood Valley Water District. And we see how far that has gotten us in the 40 years the District has been in business. We need to be in a position where we can pay our own way.

Jack Spilman added, It looks like Russian River Flood is trying to help you. That's what I understood from the Meetings. Be careful of making a bunch of decisions, that once they are made, they are very nearly impossible to reverse.

Director Reuser responded, So we can wait another 2 or 3 years and have the exact same meeting in 2 or 3 years. And you would come to us and say, why didn't you guys ever do something. Right now we are operating the District budget off of praying for frost and praying for rain.

Director Butow said, You can't have both; you can't have a low cost of water and maintain a District that is costing you more than the income generated.

Jack Spilman declared, I'm not saying that. But if you try to save 35% of your total budget –

Director Butow asked, Where is the money going to come from for those reserves when you need to address those things?

Jack Spilman responded, You're going to have to manage a little bit better than taking 35% of your total budget to try to save it.

Director Reuser remarked, We have 200% of our annual budget coming in unfunded mandates; we know that these are coming. We have a couple million bucks that we're going to have in the bank to pay for these things, because they are not going to come to us and say, Did you guys save enough money to do this because if you didn't we'll put it off a while. That's not how they operate. They are going to come to us and say, you spend this two million dollars to upgrade to these requirements. And at that time we are going to have a choice; we are going to have the two million dollars or we are going to quit operating.

Director Butow added, And we'll be raising rates because we have an obligation as a District, to supply the water.

General Manager Koehler said, That's essentially what I got from the State Board when I was describing our situation to them. We are looking at three different ag properties and, granted, I'm looking at it from a perspective of buying the property rather than attempting to buy the water, but if we were to get a 70- or 80-gallon per minute well when purchasing some ag land and then we put in the necessary infrastructure and the pipe to get it into our system, this is a \$3 million dollar project. And my comment to the State Water Board was, look, this is a \$3 million dollar project for 70 gallons per minute to resolve the annexation issue that affects, maybe, 50 households. And the State's response was, Well, we know it's expensive, but we really don't care. Go spend the money or we will hit you with this \$5,000 per day fine.

Director Hallman added, \$5,000 per day per area, up to \$10,000.

Director Pool commented, Well, we are all on board for sharing our ideas and solving our problems. We are going to do everything we can to help make it happen, but it still is going to cost an awful lot of money. It is still something we have to prepare for.

Further discussion ensued.

Jack Spilman said, Let's be straight-forward. You do not have enough customers to generate the kind of income you are talking about spending. It just isn't there; and if you can't get some sort of outside funding, some kind of a grant, something from the County, somebody else doing something, it isn't going to happen. Because you are not going to generate the kind of money that you want, to build a 2,000 acre-foot reservoir with the number of customers that you have. The customers you have cannot afford it.

Director Butow commented, Aside from the reservoir issue, and let's just assume that we are going to continue to get our water from, whomever, Redwood Valley always was a very expensive place for water. And, regardless, it's just not going to get any cheaper. The facts and the numbers that were presented tonight are those that are factual, and they are reality. They are not "what if" or "suppose this" or "you should have done" or anything else. This is what we've got to do to make it go. And unfortunately the Redwood Valley folks are going to have to pay the freight for a very expensive water district. And it has never been a cheap water district, it's just become more expensive when the raw water costs went up and your infrastructure ages, and the State mandates are issued. Those things are driving this discussion right now.

The Board resumed their discussion of the figures at hand. GM Koehler listed what he needs to get from the Board in order to prepare the figures for the next discussion at the next Board Meeting. A great deal of discussion followed. The Directors expressed their individual concerns and discussed the many issues facing the District from every side, and then they reviewed the rate charts used for this meeting. They discussed the figures line by line and determined the

changes they want the General Manager to implement in his rates sheets for use in further refining the rate schedules to be discussed at the next Board Meeting.

Due to the lateness of the hour, the Directors decided the Rate Schedule review will be carried to a Continued Regular Meeting.

Director Pool clarified that the reason for a fairly steeply tiered rate is to try to keep the rates low at the bottom range for the people that are struggling and conserving, not only to save water but also to save money.

The Meeting adjourned at 11:43 p.m. A Continued Regular Meeting will be held at 6:00 p.m. on Tuesday, September 22, 2009 at the Water District Office, 2370 Webb Ranch Road, Redwood Valley, California.

APPROVED As CORRECTED: Board of Directors

DATE APPROVED: December 17, 2009

SIGNED: Linda Groth
Secretary, Board of Directors

See Corrections on Page 2 and Page 7