

REDWOOD VALLEY COUNTY WATER DISTRICT

2370 Webb Ranch Road
P. O. Box 399
Redwood Valley CA 95470
(707) 485-0679

MINUTES

Special Meeting
Board of Directors

Wednesday, November 4, 2009

Held at: Redwood Valley Grange Hall, 8650 East Road, Redwood Valley

Directors Present: Donald Butow, Hal Voege, Jeanette Hallman, Granville Pool, Merle Reuser

Staff Present: General Manager Bill Koehler
Office Manager/Secretary to Board of Directors, Linda Groth

Others Present: Roy Beck, Linda Murray, James Kollenborn, Edwin Phillips, Joan Phillips,
Eric Foster, Ray Gowan, Bill Oldham, Trever Oldham and others

CALLED TO ORDER: 7:02 p.m. by Board President Donald Butow.

1. ROLL CALL.

Granville Pool, Director; Hal Voege, Vice-President; Jeanette Hallman, Director; Merle Reuser, Director; Donald Butow, President.

2. HEARING OF COMMENTS OR QUESTIONS FROM THE ATTENDING PUBLIC CONCERNING ANY TOPICS NOT POSTED ON THE AGENDA.

None.

3. LETTER FROM THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA).

Director Butow introduced the attending public to an urgent issue. There was a 'fish kill' somewhere in the Russian River in 2008 and this triggered NOAA to Petition the State in order to stop any pumping out of the River, including any water for frost protection. He attended a meeting this afternoon regarding this very matter. There is going to be a Hearing in Sacramento on November 18th and the District urges anybody who can, to go over to that Hearing.

Director Butow offered admiration and credit to the folks on the main stem of the Russian River because they came back with a plan to develop off-stream storage, and to work out methods by which they could charge their ponds and work out other arrangements about recharging those ponds from the river in a manner that would reduce the drawdown in the river. How does that affect us? Either way, whether the SWRCB accepts the plans being proposed by all the growers, through the Farm Bureau and the Upper Russian River Group and others to

help find a solution to avoid fish kill due to excessive draw-down, if that's accepted or if it's denied, then the West Fork, from where it joins the Main Stem, that's everything from there through Calpella and north to Tomki Canyon Road, they are going to come up here and start overriding the Agreements you hold with the State, whether your agreement is for Riparian or Appropriative.

This is going to affect the Water District, either way. Director Butow asked General Manager Koehler to explain all of this to those in attendance.

General Manager Koehler said that a Group was formed about a year ago named URSA (Upper Russian River Stewardship Alliance). It consists primarily of the Mendocino County Russian River Flood Control and Water Conservation Improvement District, the Farm Bureau, the Wine Grape Commission and Fish Friendly Farming. Also Redwood Valley has been kind of an associate member, attending from the beginning mostly because the entire focus so far has been on the Main Stem and on Mendocino County. Last year at the very beginning of frost season, NOAA fisheries did petition the State Water Board to deny frost water as a valid use of water. And the only reason the State Board refused the petition was because NOAA fisheries had waited until the last minute to file. They didn't give any advanced warning, they just walked in at the beginning of frost season and said, Shut it down. The State Board said No, you haven't given fair warning and you haven't given these folks the chance to get straightened out. However, we do know that if there is a problem next year, they will shut it down. As a result of forming this group, URSA, a number of things have been achieved with remarkable speed. The original intent was to develop a three-year plan; and that three-year plan has been achieved in one year. Mendocino County has done some amazing things; Sonoma County has done very little. Sonoma County has less need for frost protection but that is irrelevant. They have different issues. The vast majority of vineyards in Mendocino County are in a narrow valley with water being taken out of the river. In Sonoma County the vast majority of the water for frost protection is being taken out of the tributaries. It's a somewhat different situation. What URSA has achieved as of today, there is a brand new Stream Gauge at the Talmage Bridge. This was paid for by the Flood Control District and the Redwood Valley County Water District. In addition to that, Flood Control has been working very dynamically with Sonoma County Water Agency to level out the discharges from the Coyote Valley dam. So, rather than Sonoma simply releasing a bunch of water and some of it just making its way to Jenner, they are calculating very closely the amount of water that's being needed primarily by the people withdrawing water from the river between the dam and Hopland. This is largely being spearheaded by the Flood Control District because that's where their contractors are. In addition, between Flood Control and Fish Friendly Farming, they applied for a Grant that is essentially paying for up to half of the new ponds that are being constructed in that valley. In addition, they are using that grant money to install Smart Meters on ag diverters. It doesn't tell Sonoma County how much water they are taking, that is a matter between the contractors and Flood Control; but what it will do is actually send a phone signal to Sonoma that says, my pump is on. In this way Sonoma can better gauge what releases they are making out of Coyote. Sean White of the Flood Control District calculated that the instantaneous demand was 80 cubic feet per second during the worst of the frost event and that was at a time when the river was flowing at about 160 cfs, so, they were literally pulling about half of the water out of the river. What the net effect of that did, was not dewatering the river so much as shrinking the river and apparently some little fish managed to get itself stranded up on the bank of the river and died. At least that's what NOAA is telling us, however they have yet to come up with the proof or numbers of fish or location. But what is happening is that, as you see in this letter from the Office of Law Enforcement of NOAA, they are officially going back to the State Water Control Board and making a Statement that the use

of water out of the river for frost protection is not a legitimate use of that water. They don't realize the incredible impact this will have on the entire grape industry in the region, including tourism, wine production, the hospitality industry in general, recreation, eco-tourism, you name it; the spin-off being a potential impact of hundreds of millions of dollars in Mendocino County. The value of the grapes in Redwood Valley, just the berries, is over \$4 million dollars according to the Farm Bureau. So you hit that with a multiplier of 3, and that is potentially a \$12 million dollar loss throughout this tiny community. We do not know exactly how the withdrawals out of Lake Mendocino will be viewed by the State Board in terms of, is it Russian River water? because it doesn't have a negative impact on the flow of the river. Potter Valley seems to feel certain that they will be allowed to frost protect. But certainly the State is going to go after any diverters on the West Fork, so my presentation at the State Board on November 18th will be focusing on the fact that although all the work done so far has been on the Main Branch, the tributaries are going to be coming next and the West Branch is considered to be a tributary. As Director Butow was saying, it has a potential impact on the Water District, either way. If they ban diversion from the river, we are really going to be scrambling to find a way to provide water to those folks who have just had their water jerked out from underneath them. And we barely kept up two years ago in March; those of you who are diverting know that we sent out notices saying we were running out of water. It's not a pretty picture out there. We urge all of you who are planning to attend the Hearing to contact Devon at the Farm Bureau because they are discussing the possibility of chartering one or more buses. They are talking about a \$25 fee and that is cheaper than the parking alone, once you get over there. Make your voices heard. It's obviously very serious.

4. RATES DISCUSSION.

General Manager Koehler informed the public that this is intended to be an informational meeting only. The Protest Hearing will be held on Wednesday, December 16, 2009. The way Proposition 218 works is that it requires a 45-day period to allow protests to be submitted. The Notices were mailed on October 11th so the Protests can be submitted until the end of the December 16th meeting and they will be counted after the close of that meeting.

Since we have dual domestic and irrigation systems, we will be receiving the ag protests separately from the domestic protests. This is not like our local elections where they just do a headcount. Prop 218 requires that in order to have a successful protest, the District must receive a quantity of protests equaling '50% + 1' of qualified property owners protesting. For domestic we have 1150 services, so we would need to receive half of that number, plus 1, and for ag we have 196 services and, again, we would need to receive half of that, plus 1. For mobile home parks, if it is 1 AP#, it is 1 vote. Every property should have one protest per AP#. If you have 3 AP#'s you are entitled to 3 protests. That is the mechanics of the process that says 50% plus 1. We'll do a count after the end of the December 16th meeting; most likely the next morning when we can do verification of each account, making sure there are no duplications. In the case of a landlord or renter, it is the landlord protest that counts. However if the landlord does not submit a protest, then the renter protest would count if it was submitted before the deadline.

It is possible that there will not be qualified protests received that total 50% + 1. In that case, the rate schedule will be effective January 1, 2010. If there is a more than 50% + 1 protest, we have a number of options and this has been discussed with our Attorney. The most likely and fair option is to go back to everybody and explain again, why we absolutely have to do this. And if necessary as another option, we might have to bring in an engineering firm to do a

Rate Study and verify that we must increase our rates for all the reasons stated and discussed at the many meetings we've held the past few months. The cost of an engineering firm doing a rate study will be to the tune of another \$30,000 - \$50,000. And the cost for the Rate Study would be tagged on to our budget, which would then raise our rates even further. Now, it's possible that somebody will file a lawsuit, but at least it is defensible. The bottom line is that we are paying \$60.00 per acre-foot for water that is coming from Sonoma County Water Agency. Even if we get back to buying Flood Control District water, they are also going to be charging very close to \$60.00 per acre-foot for surplus water if they have it to sell. It literally costs us \$100.00 per acre-foot for pumping the water from Lake Mendocino over to our facility here in Redwood Valley. That is \$160 per acre-foot just for those two items alone. That does not cover depreciation of the system or labor. We've only assigned approximately 16% of our total labor to the ag side. We are being very conservative. The vast majority of our leaks are on the domestic side, the vast majority of our labor is on the domestic side. We did not assign a penny of water treatment to the ag side. So despite the fact that the ag usage is disproportionately greater, a lot of that is getting rid of a bad rate structure. So, does anyone have any questions?

Member of the public Jack Spilman asked, Since the District is needing more money, can you tell us what the District has done to save money and how much money their policies and changes have saved us?

GM Koehler responded, Well, I'm not sure we've saved a tremendous amount of money, to tell you the truth. We have saved labor; we have spent money converting over to automatic meter reads. The most noticeable thing that we have done, is to institute a freeze in wages and benefits about 18 months ago. And we have also reduced office staff by a couple days a week. Beyond that, we don't have a whole lot of wiggle-room. We did install solar panels but that's not really saving money; it's doing the right thing by the environment. Our electric bill at the lake is over \$10,000 per month. So, there is not a whole lot of wiggle-room there for us to save money. There is not much fat in the system. We do check our vendors regularly to see who is selling the chemicals the cheapest.

Director Butow commented, As Bill has stated, a couple of years ago we started converting to electronic meter reading. That has saved us 4½ days per month for domestic alone.

General Manager Koehler continued, And that has allowed our staff to do the maintenance items, such as painting for example, without having to hire outside contractors. There is very little that we contract out, other than bringing in a vactor truck for work next to power lines, etc. He added, As far as this years' budget, and I don't know if you'd view that as a savings, but we stripped out a good 2/3rds of the capital improvement projects. That's a mixed blessing as well, because those things could come back next year and cost even more than they do at this time. So, my position is that there is very little fat to be cut in Redwood Valley. If you've seen our little Ford Ranger driving around you know that we're not wasting money on a new vehicle. There is not a whole lot out there; we went through the budget item by item. The vast majority of things were only increased by inflationary costs that we see, such as power, chemicals, lab costs. From 2006 when we had our last water rate increase, to 2009, we've sold 5% less water. Electricity increased by about 55%. The cost of purchased water increased by 217% and state-mandated water analysis increased by 34%. We have zero control over those costs; none, whatsoever. That's a good chunk of our costs; you add those up together and we're looking at more than \$300,000 of our costs over which we have zero control.

Member of the public wondered if our Water District is the only one dealing with this or if other water districts are also having these same problems. He said he checked today and Redwood Valley has the highest rates of anyone else in the valley, at least by 50-cents.

General Manager Koehler answered, You are probably right, but no other water district is paying over \$100.00 per acre-foot to pump the water. Again, we are the only full-tilt surface-water treatment plant in the valley; you are comparing prices for a groundwater process that is very different and much cheaper, disregarding the \$100 it costs to pump an acre-foot of water the 5-1/2 miles from the lake to the storage pond, yes, this District will always cost more. Look at the pumping and the treatment running here. The groundwater treatment technology is much simpler, less chemical intensive and much less energy intensive than what we are doing. It's always going to be that way. But yes, the City of Ukiah is raising their rates, Millview C.W.D. is raising their rates. In fact, Millview has gone through the Prop 218 process and has increased their rates percentage-wise; Ukiah is just starting at that point.

Member of the public wondered if anyone has ever explored the possibility of combining all the water districts so that we don't have the overhead of five or six districts in one valley.

GM Koehler answered, Absolutely, and it has been discussed repeatedly. The absurdity of the Balkanization of small water districts is something that's on the mind of virtually every Manager of a small district. However, in order to tie the districts together we have to have a couple of different things. One, we have to have a physical connection. Our physical connection with Willow consists of a 4" pipe between here and Calpella which can move about 120 gallons per minute on a busy day. Our domestic demand alone in the summer is 800 gallons per minute. So, Millview does not have the capacity to produce more treated water, Ukiah does not have the capacity to produce more treated water, we don't have the capacity to produce more treated water -- much less if we were trying to actually put in treated water trunk lines. The cost of a water line is \$1.00 per inch-inch. In other words a 12" pipe costs \$12.00; you want to move that pipe 12-inches, it's $12 \times \$12.00 = \144.00 . So you're going to be paying somewhere in the neighborhood of \$150.00 per foot to put in a pipe that's big enough to actually tie these systems together. Calculate that out at the number of miles it is to tie Willow to Redwood and if you think the rates are going up now...

Member of the public asked, How about the idea of combining, not the physical parts, but the management. Does that make sense? Could you do that?

General Manager Koehler answered, Absolutely I could. At my previous employment, I managed six Districts at the same time, one in Lake County, four in Sonoma County and one in Marin County. I understand exactly what you're saying and I can assure you that when the District Managers around here get together, that is one of the topics that we discuss on a regular basis. And you know the other thing that is kind of silly, is to have three different backhoes among us, for example. You're absolutely right; there is buying power to be available. Unfortunately, each and every one of our technologies are different and each and every one of the water rights issues are different. I spend probably 2/3rds of my time dealing with water rights issues, not water treatment issues. And Millview's manager has exactly the same problem. That's what he does, is fight with the State Board; fight with various other entities over defending their water rights. Millview is trying to get the Masonite #6 well, and the Hill-Gomes well. And he's banging his head against the State. But yes, it is absolutely

discussed; but at this time it's just not real practical. It is the ultimate, inevitable, best possible design, no question about it.

Director Butow added that about 20 years ago there was a study done about that very thing. Why didn't it happen? Politics. Nobody wanted to give an inch. It's only been recently with new people are on board, that things have started to loosen up. These Manager Meetings that Bill has referred to are fairly recent, within the last 2 or 3 years, and there is really good dialog between the agencies. Probably the day will come when there are M.O.U. (Memorandum of Understanding) agreements between the Districts, possibly starting with equipment sharing, for example. We can't forget that just 5 years ago we didn't have a County Water Agency like we do today; back then it was a statistical guy that went around testing wells, and a part-time clerk and that was it. Director Butow thanked the member of the public for his good ideas and encouraged him to contact his Supervisor to encourage that way of thinking.

Another member of the public had some questions about the proposed new ag rates including the meter fees. And these questions were clarified as stated at previous Board Meetings. GM Koehler added, In theory the logic behind the increased cost between a 2" ag meter and a 4" ag meter, is that a 4" meter can serve a larger property than can a 2" meter. A standard 5/8 x 3/4" domestic meter can pass 20 gpm, so basically our ability to serve water to you is in 20-gallon increments. The more 20-gallon increments you can get through your meter, the more that meter is going to cost you because you have the ability to place a greater demand on our system. That's what we are charging for, your ability to place a demand on our system.

Question: So why don't you charge that when we use it, instead of charging for the potential demand. It seems that on the potential, you would have initially charged that but I don't think it was ever done.

General Manager Koehler said, One of the things this Board of Directors specifically did was to set these rates for a 1-year period. Normally when you go through the Prop 218 rate increase process, you do it for 3 or 4 years at a time; you go with a COLA. But this Board discussed at some length that they wanted to do this for a 1-year period because it is a change, not only in the costs of the water business, it is a change in the prices to be determined. In essence, we're going to see how this works and if it's not working one way or the other, we can adjust it in a year.

Director Voegel added, The other thing that we did this year, was that ag accounts were required to pre-purchase 6-acre-feet of water, whether or not it was actually used. We've changed that. You are no longer required to be pre-purchasing 6-acre-feet. You are paying for the water by the acre-foot that you use; so if you are using only 2-acre-feet, this is a lot better rate.

Member of public: I don't know how many of your customers don't use the 6-acre-feet.

GM Koehler answered, 25% of ag customers do not use the entire 3 or 6 acre-feet per year. This also includes just a few customers that don't use their ag water at all, they pay the monthly fees apparently just to have it available to the property for property value purposes or perhaps they have other plans for the future.

Member of public: So this service availability fee is an addition to the monthly fee as it has been in the past.

General Manager Koehler answered, In all reality in my opinion, the service availability fee of the meter should be higher. This would create a stable cash flow needed to operate the District; and then the water rates should be a bit lower in order to pay for the production of the water that you get. It should be based on the size of the meter. In a perfect world, we'd be able to put in 3/4" meters for residential lots, because it is pretty ridiculous to use drinking water for watering your lawn. At this time, that is not an option for us.

Member of the public then said, But it is the amount of water that you use, that stresses your system, not the potential amount of water you use.

Director Reuser responded, That 4" meter is more of a liability to the District every day as compared to the 2" meters. We have to have surge control for the people that want to use the 4" meters. If they don't use it for three months out of the year, and they turn it on full blast, we still have to deliver that water without hurting the other users in the District. But it costs us more in infrastructure to have that surge control at all times.

After further discussion and comments, it seemed to be the general consensus that it is a shame the costs for maintenance of the infrastructure wasn't built-into the rates from the very beginning.

General Manager Koehler said, One of the reasons the rate structure is being changed at this time is because we have been burning capital for the past 2 or 3 years. We have been seeking water rights and working with other water districts. The structure needed to be changed, and the decision was made after months of meetings, to not make all the changes at once. I think that's why the decision was made to change the rate structure this year and then re-evaluate it. It may well be that a year from now, exactly what we were describing will come about. We did discuss having no mandatory prepurchased water and actually at that time, using only the \$20 and \$40 rate for ag meters, the cost of an acre-foot was even higher because there was no little cushion built into the structure. I can assure you, and there are some faces in the audience that have attended many of our meetings who can tell you, that we have looked at pretty much every way there is to structure this thing and we have beat it pretty much to death. This is clearly a compromise.

Director Butow asked if there are any other questions. There was no response.

Director Butow encouraged everybody who can, to attend and be heard at the SWRCB Hearing in Sacramento regarding the N.O.A.A. and Fish and Game intent to restrict draws out of the river for frost protection.

Member of the public asked how much water the District can use from the lake at this time. GM Koehler answered, Based on 2002 usages, our current water usage rate would give the District approximately 80 days of water at this time. That is one of the reasons the County of Mendocino Board of Supervisors has been reluctant to lift their own Mandatory 50% Reduction Ordinance. Also, it is not law at this point, but the Bill signed by the California Legislature lists a mandatory 20% cutback in water usage in urban areas throughout the State.

The Meeting ended at 8:05 P.M. The next Regular Meeting will be held at 7:00 P.m. on Thursday November 19, 2009 at the Water District Office, 2370 Webb Ranch Road, Redwood Valley, California.

APPROVED: Board of Directors

DATE APPROVED: November 19, 2009

SIGNED: Linda Groth, Secretary, Board of Directors