

# Proposal to Form an Alexander Valley Water District

Prepared by the Russian River Property Owner's Association, November 11, 2022

This Proposal describes the efforts of the Russian River Property Owners Association (RRPOA) representing the agricultural property owners of Sonoma County's Alexander Valley, to form a new locally governed Water District. The new Water District will pursue water supply reliability and resilience in the face of the ongoing drought conditions, future limitations on water supply from Russian River summer flows derived from the Eel River inter-basin transfer at Potter Valley in Mendocino County, and impending State regulation of a local groundwater basins. This Water District proposal must be further refined, supported by local agricultural landowners, and then presented to the Local Agency Formation Commission or through a special act of the State Legislature.

The new agricultural landowner-governed special district will enhance water supply and resilience in Alexander Valley by representing agricultural landowners in regional multiagency efforts to maintain the inter-basin transfer at Potter Valley and through local investments in water supply, conservation, and habitat restoration projects. No existing entity or agency can accomplish these objectives within the Alexander Valley.

Without such local organizing, representation, and investment, agricultural property owners and the Alexander Valley's grape-growing and winery industry very well may lose access to water supplies previously taken for granted. Federal, State, and regional agencies may impose additional regulations, fail to achieve agricultural water supply from a new inter-basin project at Potter Valley, or alter previous water supply commitments. These issues will potentially contribute to a permanent reduction in water supply for local agriculture.

As part of the effort to achieve water supply reliability and resilience it will be necessary for the proposed Water District to coordinate with existing government agencies and entities involved in water use, supply, and management in Alexander Valley. This includes coordination with the Sonoma County Water Agency, the cities of Healdsburg and Cloverdale, other municipal water providers in the Valley, the Lytton and Dry Creek Band of Pomo Indians and with Mendocino County and the water users there as will be necessary to resolve project funding and allocation and sharing of the water resource.

## Background

### Alexander Valley Agriculture

Over the years, and with the growth of the premium wine industry in California, the Alexander Valley transitioned from prune and pear and grain crops to premium wine grapes. The Alexander Valley is presently planted with 15,000 acres of wine grapes. In combination with additional planted acreage in the surrounding benchlands and uplands, the area is home to approximately 100 individual growers and 31 wineries producing world-class wines, a key underpinning of the County's economy. Together, the Valley's beautiful vineyard landscape and its wineries, support a thriving visitor economy, a key underpinning of the County's economy.

### Existing Water Supply, Conservation and Regulatory Efforts

Many organizations including federal, State, regional, and local government agencies influence water supply policy, infrastructure, use, and quality, as well as riparian and aquatic habitat values in the Russian River watershed and in the Alexander Valley. Historically these agencies have focused on maintaining supplies for municipal retail water purveyors, sustaining water quality, protecting multiple listed

terrestrial and aquatic species and restoring habitat. Surface and groundwater water use in the Alexander Valley has slowly, yet progressively, been regulated by multiple programs including the North Coast Instream Flows Policy (2010), Russian River Frost Regulation (2011), and drought curtailments in 2014 and those in 2021-2022. Thus, the Alexander Valley agricultural water users, as well as the municipal users in the Valley are now facing a new era of increased oversight and regulation.

In response to threats to regional water supplies for its 600,000 customers, the Sonoma County Water Agency (Sonoma Water) has initiated the formation of a 'Water Users Forum', an effort to engage and organize the affected cities, special districts, other domestic and industrial water purveyors, and agricultural water users toward the water infrastructure investments needed in the Russian River Watershed to secure reliable water supplies. The RRPOA and the new Water District will have the opportunity to influence these and other decisions through representation and active engagement.

## Threats to Alexander Valley Water Supply

Water supply available for agricultural irrigation in Alexander Valley, including from its ample aquifer and the summer flows from Lake Mendocino (Potter Valley Project), has historically been plentiful. This low-cost water has allowed Alexander Valley agriculture to flourish with productive premium vineyards -- the foundation of the region's agricultural and wine industry. However, at this point this agricultural economy is threatened by reductions in water supply for several reasons:

1. **Measurable changes in long-term weather patterns** suggest that a period of increased duration of periodic droughts and more intense storm events has arrived. This means that surface flows in the Russian River basin will be more variable, including periods when little or no surface water will be available during summer months, even with continued inter-basin transfers from the Eel River to the Russian River through the Potter Valley Project.
2. **The Potter Valley Project flows** are now reduced to a de minimis amount as the result of PG&E equipment failure and their choosing to abandon the power production project.
3. **The continued availability of the inter-basin transfer** from the Eel River to the Russian River watershed that has been functioning for over 100 years, will be significantly modified in the coming years due to license surrender of the Potter Valley project by PG&E.
4. **The ongoing drought** resulted in emergency curtailment orders from the State Water Board in the summer of 2021, that stopped diversions of Russian River water underflow and surface water rights. Curtailment orders have been extended into 2022. The State Water Board staff are considering the regulation of groundwater well pumping in future drought curtailment orders, due to significant losses of Russian River flow within Alexander Valley, when surface water curtailments were in effect in summer and fall 2021. With a continuation of the present drought or in future droughts, such orders will have significant impact on the ability to irrigate vines and other crops.
5. **Urban users along with federally regulated minimum instream flows** to support anadromous fish species will typically receive priority over agricultural users during periods of reduced water supply, given applicable regulations and political reality.
6. **State scrutiny regarding pumping of groundwater** in Alexander Valley may cause the California Department of Water Resources to reprioritize the Alexander Valley basins as "Medium" Priority, thus invoking the Sustainable Groundwater Management Act (SGMA) requirements to prepare a management plan that could include restrictions on existing agricultural and residential/urban wells.

## Ongoing Alexander Valley Water Management Action Initiatives

There are five ongoing water supply and conservation initiatives underway in the Alexander Valley along with new opportunities arising. Pursuing such actions prior to and following formation the Water District with other entities strengthens justification and support for formation of the Water District. Additionally, the Water District offers agricultural landowners the ability to directly address threats to agricultural water supply as well as assuring participation in regulatory decisions and rulings.

### 1. Participate in 2023 Russian River Water Sharing Program

The State's 2022 drought water right curtailment regulation provided water users an opportunity to avoid curtailments later in the summer because a critical mass of water users committed to conserve water in a regional, coordinated Voluntary Water Sharing Program. RRPOA provided technical assistance to growers participating in the 2022 program and has committed to assist with future water sharing programs. In the future, the Voluntary Water Sharing Program will need an organization to manage the program. This effort may involve or anticipate other Action Initiatives presented below.

### 2. Participate in Potter Valley Project Deliberations

The decision by PG&E to surrender its Potter Valley Project hydropower license sets in motion a multi-year technical and legal negotiation before the Federal Energy Regulatory Commission (FERC) to decommission the project. All decommissioning scenarios require Russian River watershed beneficiaries to financially contribute for continued transfer of water from the Eel River to the Russian River. This has heightened concerns for all those agencies dependent upon Russian River water supply. While presently monitoring and engaging, having formal standing in ongoing deliberations regarding the Potter Valley project through creation of the Water District will advance local agricultural landowner interests.

### 3. Expand Well Monitoring Efforts

The Alexander Valley region requires better documentation and monitoring of groundwater elevations and agricultural well production. The Sonoma Resource Conservation District has established a well monitoring program that could be expanded through cooperation with the RRPOA. The Sonoma Alliance for Vineyards & Environment (SAVE) organization is also conducting well monitoring in the Alexander and Russian River Valleys that can be part of this program. The RRPOA could formally cooperate with the RCD and SAVE to expand well monitoring to develop an effective sampling of the Valley's agricultural wells and document natural and artificial groundwater recharge.

### 4. Continue Groundwater Sustainability Planning

The State is likely to elevate the priority of the Alexander Valley basins and require that Groundwater Sustainability Plans (GSPs) be prepared. Unlike the three existing medium priority basins in Sonoma County with substantial municipal and rural residential water use and multiple responsible public agencies, Alexander Valley groundwater use is predominately agricultural, and there is no existing agricultural-oriented public agency capable of serving as Groundwater Sustainability Agency.

### 5. Expand Demonstration Groundwater Recharge Study

The demonstration groundwater recharge project conducted by the Dry Creek Rancheria Tribe and partners will explore the feasibility of diverting surface water to vineyards in Alexander Valley during periods of high Russian River flow with the goal of recharging the shallow groundwater aquifer and increasing groundwater accretions to the Russian River and tributaries during low flow periods. The

Tribe has received a substantial \$7 million grant from the Department of Water Resources for the current study and at the same time the Sonoma County Water Agency has an interest in supporting the monitoring component of the project. The RRPOA, and eventually the new Water District, can help expand the project's coverage to a more comprehensive geography that would consider recharge opportunities for the two groundwater basins (north and south Alexander Valley).

## Achieving Water Security through Water District Formation

Following the example in other parts of California that are grappling with water supply and groundwater management regulations, local agricultural landowners formed a working group of in early 2021 to respond to drought conditions, new water diversion and use regulations, and potential loss of the inter-basin transfers from the Eel River. This working group effort has included research, engagement with the regulating agencies, consideration of governance options, and a survey of Alexander Valley agricultural property owners. As a part of this effort, the Russian River Property Owners Association (501c4) (RRPOA), an existing public benefit corporation, with broad membership of Alexander Valley agricultural landowners, was determined to be the appropriate entity to formally propose formation of the new Water District and to manage the formation process.

### Purpose of the Water District

The new Water District would have the following specific purposes for agricultural property owners:

- 1) **to gain the official legal standing** to participate in regional water supply discussions and projects, including the disposition of the Potter Valley Project and the Eel River inter-basin transfer in coordination with State and federal agencies, the Sonoma County Water Agency, other County agencies, nearby cities, tribes, non-governmental organizations, and other affected water users;
- 2) **to invest in and operate infrastructure** that expands and conserves water supply through monitoring usage, pricing and water sharing mechanisms, increased local storage, developing groundwater recharge, expanding use of recycled water, and water conservation measures;
- 3) **to participate in a Groundwater Sustainability Agency** (when it is mandated by the State) with other public agencies having land or water use authority in the Alexander Valley; and,
- 4) **to have the authority to engage in River and tributary restoration and habitat conservation projects.**
- 5) **to protect existing agricultural water rights.**

### Leadership

California Water Districts are formed and governed by landowners within the district being formed. The Alexander Valley Water District is proposed to include only agricultural lands (presently defined agriculturally designated and zoned over five acres in size) and be formed by an election of these landowners, with votes based on assessed valuation as provided in the California Water District law (unless otherwise established by special legislation). The manner of voting for board members can assure that all agricultural landowners are fairly represented on the Board of Directors, that no single landowner or group of landowners can elect a majority of the Board members. The initial Board of Directors will be elected at the time of the formation election. Candidates must meet specified requirements including local ownership of agricultural land. The initial Directors will subsequently stand for election periodically as defined and regulated by the Water District Law and the State's local government election procedures.

## Proposed Boundary & Area Description

A variety of boundary alternatives for the new District have been considered including the watershed boundary (Valley and surrounding uplands), the area of the inactive Sonoma County Water Agency Flood Control Zone 4a, and the groundwater basin boundary for the Alexander Area and Cloverdale Area Sub-Basins as defined by the California Department of Water Resources.

Subject to additional input, it has been concluded that the two Alexander Valley Sub-Basins are the most appropriate boundary for the new Water District due to the impending need to have a Groundwater Sustainability Agency (which by law must encompass the defined groundwater basin) in the future and because these areas encompass the floor of the Alexander Valley and the cities of Cloverdale and Healdsburg.

The proposed Water District is proposed to include all Alexander Valley parcels in agricultural use (i.e., Land Intensive Agriculture, Land Extensive Agriculture, Diverse Agricultural and Resources and Rural Development zoning) greater than five acres in size.

**Figure 1** shows the proposed new special district boundary, which encompasses some 25,300 acres in approximately 300 separate agricultural land ownerships. The Basin boundary includes many parcels that straddle the boundary so the Water District boundary would be slightly larger because it would include the entire parcel that straddles the line. The Basin boundary indicated by the green (parcel boundaries) therefore extends slightly beyond the dark line that delineates the Basin boundary.

## Cooperation with Existing Water Users

Because SGMA requires that all property (parcels) within the basin boundary be managed, the Water District will need to cooperate with the entities having jurisdiction over other properties not in the Water District, including Sonoma County, the cities of Cloverdale and Healdsburg, and the Lytton and Dry Creek Rancheria Tribes, in a Alexander Valley Groundwater Sustainability Agency Joint Powers Authority (JPA).

The new Water District will by its legislative intent and terms of formation, recognize the need to cooperate with existing local water users including the Sonoma County Water Agency, the cities of Healdsburg and Cloverdale, the Lytton and Dry Creek Rancheria Bands of Pomo Indians, the private water companies including the Russian River Utility, the California American Water Company (town of Geyserville), and rural residential water users) formally and informally, to amplify each organization's influence and protect and sustain local water supply where aligned with these other water users in the Alexander Valley, and beyond.

## Estimated District Budget & Funding

### Operating Costs

The proposed Water District, once created, will have ongoing administrative and technical services costs as well capital investments. The components of these costs and their amount will depend upon requirements imposed and the decisions of the locally elected Board of Directors, who will be responsible for providing policy guidance, establishing the types and levels of service, adopting budgets, and pursuing capital investments as to achieve the district's purposes. It is envisioned that a lean executive, administrative, and technical staff will be required to manage and administer the Water District, supplemented by professional specialists (legal support, etc.) retained on a contractual basis as needed to complete ongoing functions and projects.



Actual operating costs will be determined by the annual operating budgets adopted by the District Board of Directors elected by the agricultural landowners within the Water District. It is estimated that annual operating costs, given the functions described above, are likely to be in the range \$500,000 annually. This budget estimate will be refined as part of the application process. Capital costs will depend upon the scope and scale of projects approved by the Board of Directors and availability of funding including authorization by ballot of the agricultural landowners within the Water District.

#### Funding District Operations and Capital Investments

The Water District will pay for its operating costs and capital investments with a range of sources typically used by water utility enterprises including property-based special benefit assessments, service charges, special taxes, and fees as well as grants from regional, State, and federal agencies. Net annual operating costs when allocated in one manner or another to the agricultural property owners are expected to be modest, in any event well-worth the benefits and risk reduction that will be achieved. Capital cost taken up by the Water District will be paid by a special assessment levy, land secured bonds, or other sources including State and federal grant programs.

#### Other Funding Sources

In addition to local fees and service charges, special benefit assessments and local bond measures that the Water District can tap, it is expected that it will be competitive for a variety of water supply-related contracts and/or grants from regional, State, and federal sources. A track record of project-related success and strong fiscal management can enhance grant application success. There may be contractual fees with other agencies (e.g., the Sonoma County Water Agency) and service charges and fees levied as a part of District operations to cover related direct costs. At this time of extended drought there are considerable grant funds available to local jurisdictions for both planning, regulatory compliance, and infrastructure development some of which have already been tapped as part of the Action Initiatives described above.

#### District Formation Options

The RRPOA has considered a range of organizational options to protect and enhance agricultural water supply. Such an organization can be created in a variety of ways including forming a California Water District through the Sonoma County Local Agency Formation Commission (LAFCO) procedures consistent with California Water District law (Water Code Section 34000 et seq.) or expanding and modifying an existing public agency, i.e., an existing water district such as the North Bay Water District.

The Special District can be formed in three ways, subordinate to the Water Code 34000 et seq., the California Water District Act (Principal Act), or two variations of special State legislation:

- 1) Formation through a petition of agricultural landowners initiating an application to the Sonoma Local Agency Formation Commission (LAFCO);
- 2) Through an amendment to the Principal Act, making certain changes to certain powers and procedures followed by a petition of agricultural landowners to LAFCO based on the legislative amendment to the Water District Law; or,
- 3) Through a Special Act of the State Legislature that would create the Water District directly.