



PUBLIC REVIEW DRAFT
Municipal Service Review
And Sphere of Influence Study
for the
Valley of the Moon Water District

Sonoma LAFCO

August 2024

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ACRONYMS

ABAG - Association of Bay Area Governments

AFY – acre feet/year

APN – Assessor’s Parcel Number

ASR – aquifer storage and recovery

CEQA – California Environmental Quality Act

CIP – Capital Improvement Plan

CKH – Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000

COLA – Cost of Living Allowance

DUC - Disadvantaged Unincorporated Community

FY - Fiscal Year

GMP- Groundwater Management Plan

GPCD – Gallons Per Capita per Day

GPM – Gallons per Minute

GSP - Sonoma Valley Sub-basin Groundwater Sustainability Plan

LAFCO - Local Agency Formation Commission

LHMP – Local Hazard Mitigation Plan

MG – Million Gallons

MGD – Million Gallons Per Day

MHI - Median Household Income

MSR – Municipal Service Review

OASA - Out of Area Service Agreements

OPEB – Other Post Employment Benefits

SCADA - Supervisory Control and Data Acquisition System

Sonoma Water – Sonoma County Water Agency

SDC - Sonoma Development Center

SGMA – Sustainable Groundwater Management Act

SOI – Sphere of Influence

Sonoma Valley GMP - Sonoma Valley Groundwater Management Plan

SVGSA - Sonoma Valley Groundwater Sustainability Authority

SVMWC - Sobre Vista Mutual Water Company

SWRCB - State Water Resources Control Board

UWMP – Urban Water Management Plan

WAC – Water Advisory Council

1: INTRODUCTION

The fundamental role of a Local Agency Formation Commission (LAFCO) is to implement the Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000 (Government Code Section 56000, et seq.), providing for the logical, efficient, and most appropriate formation of local municipalities, service areas, and special districts. The CKH requires all LAFCOs, including Sonoma County LAFCO, to conduct a Municipal Service Review (MSR).

According to CKH the LAFCO Commission must make determinations for each of the following seven elements:

Growth and Population Projections for the Affected Area. This section reviews projected growth within the existing service boundaries of the district and analyzes the district’s plans to accommodate future growth.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. A disadvantaged community is defined as one with a median household income of 80 percent or less of the statewide median income.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services Including Infrastructure Needs or Deficiencies. This section discusses the services provided including the quality and the ability of the district to provide those services. It will include a discussion of capital improvement projects currently underway, and projects planned for the future where applicable.

Financial Ability of Agencies to Provide Services. This section reviews the district’s fiscal data and rate structure to determine viability and ability to meet service demands. It also addresses funding for capital improvement projects.

Status of and Opportunities for Shared Facilities. This section examines efficiencies in service delivery that could include sharing facilities with other agencies to reduce costs by avoiding duplication.

Accountability for Community Service Needs, including Government Structure and Operational Efficiencies. This section examines the district’s current government structure and considers the overall managerial practices. It also examines how well each district makes its processes transparent to the public and invites and encourages public participation.

Matters Related to Effective or Efficient Service Delivery, as Required by Commission Policy. This section includes a discussion of any Sonoma LAFCO policies that may affect the ability to provide efficient services.

1.1 – Purpose of the Municipal Service Review

This MSR will provide Sonoma LAFCO with an informational document that analyses current service provision by the VOMWD. Exhibit 1-1 shows the boundaries of the Valley of the Moon Water District (VOMWD).

The VOMWD was formed in 1983 and may desire to update or modify its SOI. CKH requires an MSR to precede changes to the SOI. Key sources for this study include agency-specific information gathered through a questionnaire, strategic plans, general plans, websites, financial reports, agency audits, research, personal communication, and the Municipal Service Review Guidelines published by the Governor’s Office of Planning and Research.

1.2 – Sphere of Influence

This report will also include an analysis of the sphere of influence for the District. There are five determinations which must be made to update or amend the SOI. The Commission must consider:

Present and planned land uses in the area, including agricultural and open space lands - This consists of a review of current and planned land uses based on planning documents to include agricultural and open-space lands.

Present and probable need for public facilities and services - This includes a review of the services available in the area and the need for additional services.

Present capacity of public facilities and adequacy of public services provided by the agency - This section includes an analysis of the capacity of public facilities and the adequacy of public services that the District provides or is authorized to provide.

Social or economic communities of interest - This section discusses the existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the District. These are areas that may be affected by services provided by the District or may be receiving services in the future.

Present and probable need for services to disadvantaged communities - Beginning July 1, 2012 the commission must also consider services to disadvantaged communities which are defined as inhabited areas within the SOI whose median household income is less than or equal to 80 percent of the statewide median income. CKH defines inhabited as 12 or more registered voters.

1.3 – California Environmental Quality Act (CEQA)

Actions taken by LAFCO require review under the California Environmental Quality Act (CEQA). Municipal service reviews are exempt under Class 6, since the MSR is a data collection study. CEQA Guidelines Section 15306 states that “Class 6 consists of basic data collection, research, experimental

management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource.”

In contrast a sphere of influence is subject to CEQA. In many cases, LAFCO is the responsible agency, but when LAFCO initiates the project, it is the lead agency. For example, LAFCO is often the lead agency for the adoption of a sphere of influence or an update to a sphere of influence. However, in this case it is likely the VOMWD will be the lead agency if they initiate the SOI update and LAFCO will be the responsible agency. If the Commission finds that the update results in no changes in regulation, no changes in land use, or that no development will occur as a result of adopting the sphere, then the update would qualify for the commonsense exemption under CEQA.

1.4 – Uses of the Municipal Service Review

The MSR is used to shed light on the operations of a local agency, identify agencies unable to perform their mandated services, or identify ways to provide more effective, efficient services. Government Code Section 56375 allows LAFCO to take action on recommendations found in the MSR, such as initiating studies for changes of organization, updating the SOI, or originating a change of organization.

Studies in anticipation of a change of organization are useful to identify potential issues that may arise during the process. Issues can range from legal barriers to fiscal constraints to concerns of residents and landowners. A study would allow more focused analysis and the opportunity to resolve issues or options before beginning the process.

The MSR also provides the necessary information to help LAFCO make decisions on the proposed SOI update. In evaluating the proposed SOI, the MSR provides the information necessary to determine if the agency has the capability to serve a larger area. The MSR discusses the financial condition of each district, source of revenues, and projected expenses. It also includes a discussion of the projected infrastructure needs that would allow for expansion of those services.

Alternatively, the MSR can recommend changes of organization: consolidation, dissolution, merger, establishment of a subsidiary district, or the creation of a new agency that typically involves a consolidation of agencies. Those changes of organization may also require an environmental review, a property tax sharing agreement, and an election.

1.5 – District Profile

The Valley of the Moon Water District (VOMWD) encompasses a significant portion of the area known as “The Valley of the Moon”. The VOMWD was formed in 1960 under provisions of Division 12, Section 30,000 et seq. of the California Water Code as the Valley of the Moon County Water District. In 1982 the name was changed to its current form, Valley of the Moon Water District.

The District serves territory comprising twelve square miles, with almost seven thousand service connections. The Valley of the Moon Water District provides municipal water service to approximately

24,000 residents living in unincorporated portions of the Sonoma Valley, including the communities of Trinity Oaks, Glen Ellen, Boyes Hot Springs, Fetters Hot Springs, Agua Caliente, El Verano, and Temelec.

The District provides water from two sources. The main source of water (80%) is purchased Russian River water from the Sonoma County Water Agency (Sonoma Water) through the Santa Rosa aqueduct. Water is pumped over 30 miles in an underground enclosed aqueduct. The second source is seven local groundwater wells that augments purchased water during peak demand, provides emergency capacity and allows for cost reductions.

Mutual Water Companies

The Sobre Vista Mutual Water Company lies within the SOI of VOMWD (Exhibit 1). It serves 23 Residents. Although in the SOI and eligible for annexation, the 23 residents prefer to remain with the mutual water company. Since mutual water companies are outside of LAFCO’s purview no further analysis or discussion of Sobre Vista will be included in this MSR.

Table 1-1 shows general information about the district including the agency contact.

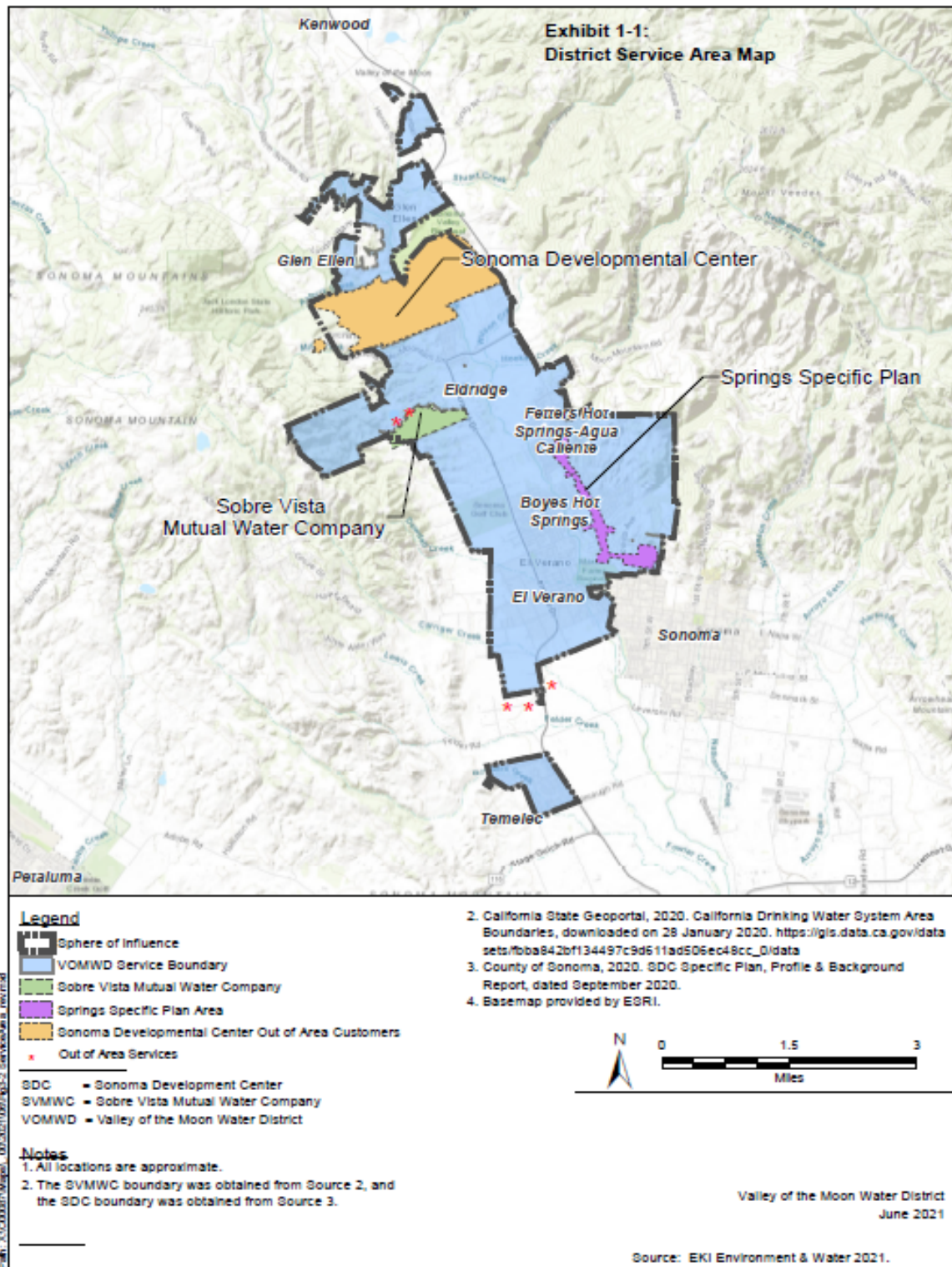
Table 1-1: About the Valley of the Moon Water District

General Information	
<i>Agency Type</i>	County Water District
<i>Date Formed</i>	1960
<i>Services</i>	Potable water
<i>Location</i>	Unincorporated Sonoma County adjacent to the City of Sonoma
<i>Sq. Miles/Acres</i>	11.8 sq.mi./approximately 7,545 acres
<i>Land Uses</i>	residential, agriculture, open space
<i>Water Connections</i>	7,178
<i>Population Served</i>	23,687
Annual Consumption 1998-2019	
<i>Average Total Demand</i>	3072 AFY
<i>Average Per Capita Water Use</i>	118 GPCD
Financial	FY 2023-24 \$7.9 million revenues \$6.03 million expenses
Governance	5-member Board of Directors
Agency Contact	Matt Fullner mfullner@vomwd.org 707-996-1037

Source: Key Environment & Water Inc. 2020, Fullner 2024a, NBS 2022.

Exhibit 1-1 shows the district boundaries, including the current Sphere of Influence. The District has about a half dozen out of area service customers. These are also shown in the Exhibit. One of the purposes of this review is the potential expansion of the SOI to include additional out of area service customers.

Exhibit 1-1: Valley of the Moon Water District Boundary Map



2: EXECUTIVE SUMMARY

2.1 – Role and Responsibility of LAFCO

The fundamental role of a Local Agency Formation Commission (LAFCO) is to implement the Cortese-Knox-Hertzberg (CKH) Local Government Reorganization Act of 2000 (Government Code Section 56000, et seq.), providing for the logical, efficient, and most appropriate formation of local municipalities, service areas, and special districts. CKH requires all LAFCOs, including Sonoma County LAFCO, to conduct a Municipal Service Review (MSR) prior to updating the spheres of influence (SOIs) of the various cities and special districts in the County (Government Code Section 56430). CKH requires an MSR and SOI update to be updated periodically.

The focus of this MSR is to provide Sonoma County LAFCO with all necessary and relevant information related to the Valley of the Moon Water District (VOMWD). It will allow Sonoma County LAFCO to make determinations in each of the seven areas prescribed by CKH. This MSR evaluates the structure and operation of the District and discusses possible areas for improvement and coordination. The report contains one section for each of the following seven elements as prescribed by CKH:

1. Growth and Population Projections for the Affected Area
2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence
3. Present and Planned Capacity of Public Facilities and Adequacy of Public Services Including Infrastructure Needs or Deficiencies
4. Financial Ability of Agencies to Provide Services
5. Status of and Opportunities for Shared Facilities
6. Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies
7. Matters Related to Effective or Efficient Service Delivery Required by Commission Policy

The MSR is used to shed light on the operations of each local agency, identify agencies unable to perform their mandated services, or identify ways to provide more effective, efficient services. Government Code Section 56375 allows LAFCO to take action on recommendations found in the MSR, such as initiating studies for changes of organization, updating the SOI, or initiating a change of organization.

This report also includes sphere of influence recommendations. CKH requires LAFCO to adopt a sphere of influence and map for each city and special district in the County. For purposes of this MSR the VOMWD should be considered a special district. The sphere influence is defined by CKH in Government Code Section 56076 as “a plan for the probable physical boundary and service area of a local agency or municipality as determined by the Commission.”

The LAFCO Commission must make determinations with respect to the following factors when establishing or reviewing a sphere of influence:

1. Present and planned land uses in the area, including agricultural and open space lands
2. Present and probable need for public facilities and services
3. Present capacity of public facilities and adequacy of public services provided by the agency
4. Social or economic communities of interest
5. Present and probable need for services to disadvantaged communities

A sphere of influence may be amended or updated. An amendment is a relatively limited change to the sphere or map to accommodate a specific project. An update is a comprehensive review of the sphere that includes the map and relevant portions of one or more MSRs. CKH requires updates at least every five years or as needed.

2.2 – District Profile

The Valley of the Moon Water District (VOMWD) encompasses a significant portion of the area known as “The Valley of the Moon”. The VOMWD was formed in 1960 under provisions of Division 12, Section 30,000 et seq. of the California Water Code as the Valley of the Moon County Water District. In 1982 the name was changed to its current form, Valley of the Moon Water District.

The District serves territory comprising twelve square miles, with 7,178 service connections. The Valley of the Moon Water District (VOMWD) provides municipal water service to approximately 24,000 residents living in unincorporated portions of the Sonoma Valley, including the communities of Trinity Oaks, Glen Ellen, Boyes Hot Springs, Fetters Hot Springs, Agua Caliente, El Verano, and Temelec.

The District provides water from two sources. The main source of water (80%) is purchased Russian River water from the Sonoma County Water Agency (Sonoma Water) through the Santa Rosa aqueduct. Water is pumped over 30 miles in an underground enclosed aqueduct. The second source is seven local groundwater wells that augment purchased water during peak demand, provide emergency capacity and allow for cost reductions. Exhibit 1-1 shows the district boundaries, including the current Sphere of Influence.

2.3 – Population Projections

The population estimate for the District is 23,687 based on the number of connections and an average of 3.3 persons per connection. The factor was derived by the District based on an analysis of the 2000 and 2010 census.

According to ABAG regional plans it is anticipated that the District population will grow by 1.5% annually for a total of 33,483 in 2045. Historical population increases average about half that rate or 0.7% per year. Using historical growth, the District population would be 31,292 in 2045. These two figures can be considered an upper and lower bound for the population.

2.4 – Disadvantaged Unincorporated Communities

Disadvantaged Unincorporated Communities are defined as inhabited unincorporated areas whose median household income is less than 80% of the statewide median household income. For 2020 that

figure was \$62,938. The DWR mapping tool identified one area that fell below 80% of the statewide MHI in Boyes Hot Springs. However, the area is within the District and receives water from VOMWD. There are no DUCS in or adjacent to the SOI.

2.5 – Present and Planned Capacity of Public Facilities

The District serves twelve square miles of territory, with 7,178 service connections. The Valley of the Moon Water District (VOMWD) provides municipal water service to approximately 24,000 residents. The District receives water from two sources. The main source is purchased Russian River water from the Sonoma County Water Agency (Sonoma Water). The other sources are the seven groundwater wells, which supplement the Sonoma Water supplies. Purchased water is conveyed to the District by an aqueduct. The District contracts with Sonoma Water for 3,200 AFY per year. Groundwater is produced by the District's five active wells. The District's wells can produce up to 788 AFY.

The District participates in the Sonoma Valley Groundwater Sustainability Agency and is reviewing a groundwater banking program for the future. The District has determined that recycled water is not feasible and has no plans to use recycled water.

Recent demand, since the 2015 UWMP ranged from 2,343 to 2,649 AFY. Projected demand surpasses Sonoma Water's commitment of 3,200 AF in 2035. However, there is sufficient groundwater capacity to meet projected demand for 2035 through 2045.

2.6 – Financial Ability of Agencies to Provide Service

The total revenue for FY 2023-2024 is projected to be \$7.9 million, while total expenses are projected at \$6.03 million. Largest expenses are purchased water (38%), salaries (26%), and services and supplies (19%). The remaining expenses include benefits, employer expenses, and board of director's expenses.

Funding sources for the District include connection fees and water rates. Connection fees are highly variable and are only charged for new services. Because connection fees are so variable the fees are set aside for capital improvement projects. Water charges provide a steady source of revenue to balance expenses. The District maintains a two-tier system to account for the cost of providing purchased water and groundwater.

Revenues exceeded expenses each year except in FY2019-2020. The shortfall was due to creating a second managerial position, so that the Administration and Finance functions had separate managers. The shortfall was addressed through a transfer from reserves.

The Board has designated three reserve funds, the operations and maintenance reserve, rate stabilization reserve, and the Capital Improvement Program reserve. The operations reserve is able to fund three average months of the annual operations and maintenance budget or \$1 million whichever is higher. The Rate Stabilization Reserve is designed to buffer revenue instability as a result of drought, natural disaster, or economic downturn. This reserve is funded at one month of water rate revenues but not more than \$500,000. The CIP reserve was established to fund the five-year CIP. The reserve is

targeted as three percent of asset values or \$800,000. The District has a five-year CIP plan for approximately \$10 million in improvements, starting with \$3.4 million in FY 23-24.

The district has no outstanding debt obligations. The previous debt of \$382.498, due in 2027, was retired early in FY 2021-22. The net OPEB liability to the District, based on the 2020 audit, is \$382.498 in 2020. The total liability to the District based on the 2020 audit is \$5.2 million.

Rates generate approximately \$7 million annually which is sufficient to cover expenses.

2.7 – Status and Opportunities for Shared Facilities

The District works with Sonoma Water and a number of other agencies to provide potable water to its customers. The District has participated with several agencies on plans to comply with SGMA to protect its groundwater resources.

The district exhibits management efficiencies through its planning activities. In addition to the Sonoma Valley GSP, the District adopted a new strategic plan in 2022 and a rate study. The District regularly updates its capital improvement plans and annually adopts a budget.

While the District has had ongoing talks with the City of Sonoma regarding sharing services or outright consolidating operations, those discussions have yet to bear fruit.

2.8 – Accountability, Government Structure, and Operational Efficiencies

The VOMWD is governed by a five-member board of directors, elected to four-year staggered terms. Board members receive compensation of \$216 per meeting. Board meetings are held monthly, generally on the first Tuesday at 6:30. The District posts a meeting schedule on its website. Meetings follow the Brown Act. The District communicates with residents through mailed notices, its website, Nextdoor, and social media.

2.9 – Matters Related to Effective or Efficient Service Delivery Required by Commission Policy

There are two policies with the potential to result in effective or efficient service delivery. They include the SOI policy and the out of area service policy.

2.10 – Sphere of Influence Considerations

The District's Sphere of Influence was amended in October 2017 to include areas beyond the District's current service area. As shown in Exhibit 1-1, the District's Sphere of Influence now also includes the following areas outside of the water service area:

1. Territory served by the Sobre Vista Mutual Water Company (SVMWC)
2. Territory previously occupied by the Sonoma Developmental Center (SDC), which owned and operated a municipal water supply, treatment, and distribution system on the campus.

While there are no plans to annex the SVMWC territory, the District does expect to annex the former SDC campus into its service area. Between 2002 and 2019 SDC operated a water system that relied on two lakes on the campus that were capable of producing 1.8 million gallons per day of drinking water. The system shut down in 2019 when SDC closed.

In addition, several landowners around Dunbar Road in the Trinity Oaks have requested inclusion in the District's sphere of influence. One parcel at 12405 Flicker Hill Road near Glen Ellen is receiving District service under an Outside Service Area Authorization.

Land use for most of these parcels is designated as rural residential, while a few are designated as irrigated vineyards. The Flicker Hill Road parcel is also designated rural residential. At present there are no plans to change zoning or develop these areas.

The additional rural residential properties are likely to need potable water. Without water from the District, they will continue to rely on water drawn from private wells. The parcels designated as vineyards would probably not need potable water in that they would use untreated groundwater for irrigation.

The expected demand from the additional parcels is small compared to overall demand and availability in the near term. Demand estimates show the District will have sufficient water through 2035 through the purchased water agreement alone. After 2035 demand exceeds 3,200 AF and will need to be supplemented with groundwater. Maximum demand for normal, dry year and sustained dry years is estimated as 3,477 AF in 2045. Given that 788 AFY is available from groundwater for a total of 3,988 AF there is sufficient water to meet anticipated demand. Therefore, the District has the capacity to accommodate the additional parcels.

2.11 – Recommendations

The VOMWD is a well-run water district. Rates are sufficient to provide enough revenue for services. Typically, a rate study is performed every five years to provide a realistic assessment of costs for water service. The most recent rate study was completed in 2022, so the district is not due for another study until 2027.

The District has sufficient capacity to accommodate growth up to 2035 with purchased water from Sonoma Water. After 2035 and through 2045 purchased water must be supplemented with groundwater to meet projected demand. Nevertheless, the District has sufficient capacity to meet demand. The District is in the process of refurbishing one of its wells and possibly drilling another. While not really needed now the new wells can add to capacity toward the 20-year time horizon and if feasible should be completed.

The Springs Specific Plan is expected to allow higher density development than current zoning allows, but projects are expected to come forward over a long timeframe. The District avows that these

potential projects are accounted for in the growth projections of its current Urban Water Management Plan.

The redevelopment of the Sonoma Developmental Center (SDC) could drive additional demand from the District, but the District is asserting that the demand can be met by using varied water sources on the campus site, which include surface water, groundwater, and river diversion resources. There is some risk in this position given that the State of California has withheld water resource rights for the property, though it appears that the intention is to negotiate with the site developer and Valley of the Moon Water regarding a suitable rights transfer.

Although the development plan for the SDC site is not clear (the specific plan for the site has been rejected by the courts and must be reconsidered), the District's Water Supply Assessment for the site indicates that there is more than sufficient available supply to serve the development anticipated by the original specific plan, and indeed a significant surplus that would potentially add to the District's water supply portfolio.

Demand estimates including general demand growth, demand growth within the Specific Plan Area, and demand from the proposed Hanna Development show the District will have sufficient water through 2035 using purchased water alone.

After 2035 demand exceeds 3,200 AF and supplies will need to be supplemented with groundwater. Maximum demand for normal, dry year and sustained dry years is estimated as 3,477 AF in 2045. Given that 788 AFY is available from groundwater for a total of 3,988 AF, there is sufficient water to meet anticipated demand.

LAFCO recommends that the next iteration of the District's Urban Water Management Plan include demand projections from the two Water Supply Assessments for the Hanna and SDC projects, and further that the Plan consider the impacts of increased long-term development that may be enabled through adoption of the Springs Specific Plan.

Several landowners around Dunbar Road in the Trinity Oaks area have requested inclusion in the District's Sphere of Influence such that annexation to the District could be proposed. These landowners experience groundwater availability issues due to shallow wells and groundwater scarcity in the area. LAFCO is recommending a sphere of influence amendment to include the Trinity Oaks parcels as part of this study.

The District has been granted authority by LAFCO to serve one parcel at 12405 Flicker Hill Road near Glen Ellen under an Outside Service Area Authorization. Staff is recommending that this parcel be added to the District's sphere in order to accommodate annexation.

3: POPULATION PROJECTIONS

Although the shape of the District is irregular and is not contained in one census-designated place, the population may be estimated by reviewing census data at the block level to determine the persons per water connection. For the 2020 UWMP the census data for 2000 and 2010 allowed the determination of a value of 3.3 persons per connection. Using this factor and the current 7,178 connections yielded a population of 23,687.

Table 3- 1 shows population estimates using this method for the 20-year period of 1999 to 2019. The Table shows the percent increase in population each year and an average for the 20-year period. The 20-year average annual population change is 0.68% Over a 5-year period the expected change would be approximately 3.5%.

Table 3-1 Population Estimates 1999-2019

Fiscal Year	Service Area Population (c)	Service Area Population Change (%)
1998	21,179	
1999	21,432	1.195%
2000	21,658	1.054%
2001	21,853	0.900%
2002	22,006	0.700%
2003	22,237	1.050%
2004	22,422	0.832%
2005	22,913	2.190%
2006	23,127	0.934%
2007	23,239	0.484%
2008	23,549	1.334%
2009	23,515	-0.144%
2010	23,636	0.515%
2011	23,717	0.343%
2012	23,793	0.320%
2013	23,801	0.034%
2014	23,847	0.193%
2015	23,874	0.113%
2016	23,878	0.017%
2017	23,927	0.205%
2018	23,954	0.113%
2019	24,414	1.920%
Average	23,090	0.681%

Source: EWI Environment & Water, 2021.

The UWMP must estimate population in five-year increments from 2020 to the year 2045. Future demand projections should account for all growth within the District. To verify that the selected growth assumptions appropriately include new developments, known planned developments were inventoried.

The Springs Specific Plan is currently the only known planned development within the District, which will include 179 acres of planned growth, comprising of:

- 152,283 sq ft of commercial development,
- 123,621 sq ft of mixed-use development,
- 119 Single Family Residential units, and
- 561 Multi-family Residential units.

Full project buildout is anticipated by 2040, with an anticipated 209 AFY of additional demand in that year. Buildout is expected to add 52 AFY of demand every five years through 2040.

Table 3-2 shows expected population every five years from 2023 to 2045. The UWMP is based on population estimates and growth projections from the Association of Bay Area Governments (ABAG) regional plan. The ABAG Plan considers anticipated growth in population and employment for the region. Consequently, the population projections for the UWMP assume a 1.5% annual growth rate which is twice the historical growth rate. Assuming 3.3 persons per connection, the difference between the two estimates represents 61 connections. The two assumptions provide an upper and lower bound for anticipated growth.

Table 3-2: Population Estimates 2023-2045

Source	Annual Growth	2023	2025	2030	2035	2040	2045
2020 UWMP	1.50%	23,687	24,860	26,782	28,851	31,081	33,483
Historical Data	0.685	23,687	25,582	25,029	26,964	29,047	31,292

Source: EWI Environment & Water, 2021.

On March 12, 2024, the District approved a water service agreement after conducting a Water Supply Assessment for a development at 810 West Agua Caliente Road generally referred to as the Hanna Boys Center project. The proposed project is a mixed-use development on sixty-one acres. It would add both commercial and residential customers. The project is undergoing the County’s permitting and review process and if approved is expected to be at full buildout in 2030.

Determinations:

3.1 The population estimate for the District is 23,687 based on the number of connections and an average of 3.3 persons per connection. The factor was derived by the District based on an analysis of the 2000 and 2010 census.

3.2 The District is anticipating significant development projects at the Sonoma Developmental Center site, the Hanna Boys Center mixed-use development, and projects that would be enabled by the Springs Specific Plan.

3.3 Based on ABAG regional plans it is anticipated that the District population will grow by 1.5% annually for a total of 33,483 in 2045. Historical population increases average about half that rate or 0.7% per year. Using historical growth, the District population would be 31,292 in 2045. These two figures can be considered an upper and lower bound for the population.

4: DISADVANTAGED UNINCORPORATED COMMUNITIES

Senate Bill 244 was a significant piece of LAFCO-related legislation passed in 2011. This bill required LAFCO to make determinations regarding disadvantaged unincorporated communities or (DUCs). DUCs are defined as inhabited, unincorporated territory that constitutes all or a portion of a community with an annual median household income that is less than 80 percent of the statewide median household income (MHI). CKH defines inhabited as “territory within which reside 12 or more registered voters.” Based on the 2020 census a DUC had an MHI of less than \$62,938. The Department of Water Resources maps all the disadvantaged communities in California.

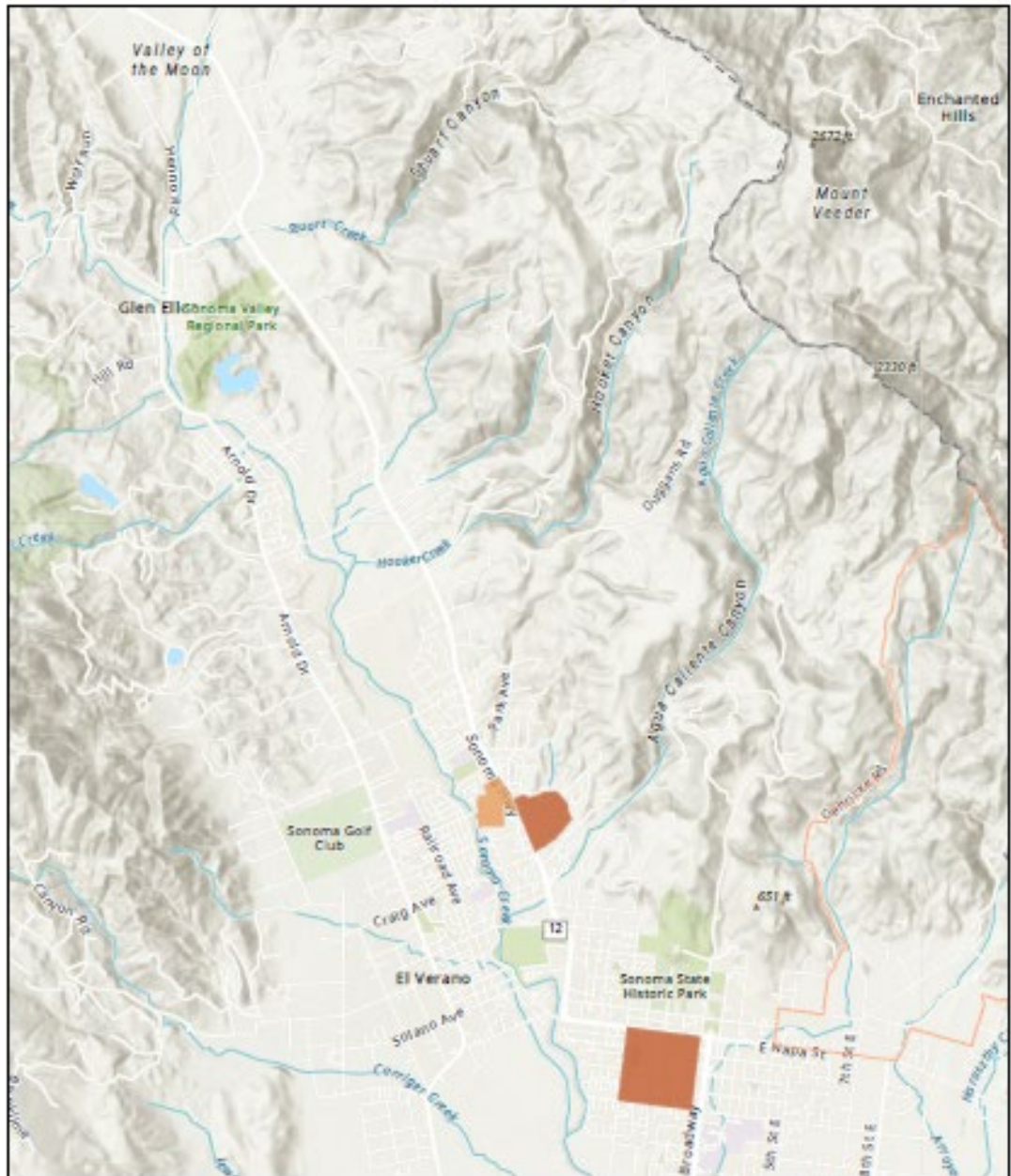
Exhibit 4-1 shows disadvantaged communities in the census designated place of Boyes Hot Springs. The Boyes Hot Springs area is in the District and receives potable water from the District. There are no DUCs in the SOI or adjacent to the SOI

CKH requires identification of backbone services to DUCs. These include water, sewer and fire protection. For Boyes Hot Springs water services are provided by VOMWD. Fire services are provided by the Sonoma Valley Fire Protection District. The Sonoma Valley Sanitation District provides wastewater collection and treatment services.

Determinations:

4.1 Disadvantaged Unincorporated Communities are defined as inhabited unincorporated areas whose median household income is less than 80% of the statewide median household income. For 2020 that figure was \$62,938. The DWR mapping tool identified one area that fell below 80% of the statewide MHI at Boyes Hot Springs. However, the area is within the District and receives water from VOMWD. There are no DUCs in or adjacent to the SOI.

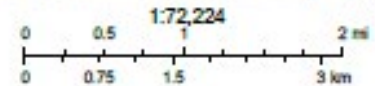
Exhibit 4-1: DUCs in the Vicinity of Valley of the Moon Water District



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Disadvantaged Communities - Block Groups (ACS: 2016 - 2020)

- Data Not Available
- SDACs (<\$47,203)
- DACs (\$47,203 - \$62,938)
- California Counties



County of Napa, California State Parks, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, MCTHUSA, USGS, Bureau of Land Management, EPA, NPS, USGS, USFWS, Esri, NADA, NGA, USGS, FEMA, U.S. Bureau of Reclamation, California Department of Conservation, California Department of Fish and Game, California Department of Forestry and Fire Protection, ArcGIS WebAppBuilder

Esri, NADA, NGA, USGS, FEMA | County of Napa, California State Parks, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, MCTHUSA, USGS, Bureau of Land Management, EPA, NPS,

5: PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES

The District serves territory comprising twelve square miles, with 7,178 service connections. The Valley of the Moon Water District (VOMWD) provides municipal water service to approximately 24,000 residents. The District receives water from two sources. The main source is purchased Russian River water from the Sonoma Water (formerly the Sonoma County Water Agency). The other sources are the seven groundwater wells, which supplement Sonoma Water supplies.

5.1 – Distribution System

Most of the District’s water supply comes from the Sonoma Aqueduct, which is owned and operated by Sonoma Water. The District’s distribution system contains approximately 92 miles of water mains ranging from 3/4 inches in diameter to 14 inches. More than 95% are between 4 inches and 12 inches. The system has thirteen pressure zones.

In total the District operates and maintains ten turnouts from the Sonoma Water aqueduct, seven groundwater wells, ten pumping stations, and twelve storage tanks. The District has approximately 5.3 million gallons (MG) of total storage in the twelve storage reservoirs. The storage tanks are used to help meet system demands during peak hours, provide emergency storage, and provide fire flow storage. Exhibit 5-1 shows the District’s distribution system.

The District has a supervisory control and data acquisition system (SCADA) that monitors all wells, pump stations, storage tanks, and hydropneumatics tanks. The system allows the District to remotely monitor flows in its system.

The District plans a number of capital improvement projects to enhance services. The FY 23-24 budget sets aside \$3,414,295 for CIP projects. Significant projects in the CIP for FY 2023-2024 include:

- New EPA lead service line inventory requirements
- Pressure Zone 3-D Fire flow improvement mainline upgrades
- Altamira Fire Flow Improvement design work; and
- Finalizing the Park Avenue Well and Chestnut Exploratory Well drilling projects

5.2 – Supply and Water Reliability

Sonoma Water provides surface water through the aqueduct. Sonoma Water is under contract to the District to provide up to 3,200-acre feet per year or 6.3 mgd during a single month. Table 5-1 shows that Sonoma Water supply is available in normal years and drought conditions through 2045. In a single dry year Sonoma Water supplies may be supplemented with ground water from the District’s wells, which have capacity to provide from 500 to 600 acre feet per year.

Table 5-1: Projected Availability of Sonoma Water Supply

Year Type		2025 (AF)	2030 (AF)	2035 (AF)	2040 (AF)	2045 (AF)
Normal Year		3,200	3,200	3,200	3,200	3,200
Single-Dry Year		3,200	2,691	2,665	2,636	2,604
Extended Drought	First year	3,200	3,200	3,200	3,200	3,200
	Second year	3,200	3,200	3,200	3,200	3,200
	Third year	3,200	3,200	3,200	3,200	3,200
	Fourth year	3,200	3,200	3,200	3,200	3,200
	Fifth year	3,200	3,200	3,200	3,200	3,200

Source: EWI Environment & Water, 2021.

Groundwater

Table 5-2 lists the District’s groundwater well capacity. The Table shows a current capacity of 789 AFY.

Table 5-2: VOMWD Groundwater Wells and Capacity

Well Name	Owner	Capacity (gpm)	Capacity (AFY)	Status
Agua Caliente	District	120	193.2	Active
Donald Avenue	District	110	177.1	Active
Larbre	Leased	110	177.1	Active
Mountain	District	70	112.7	Active
Park Avenue	District	80	128.8	Active
Trinity Oaks	District	N/A	N/A	Inactive
Verano Avenue	District	250	402.5	Inactive
Total Available		490	788.9	

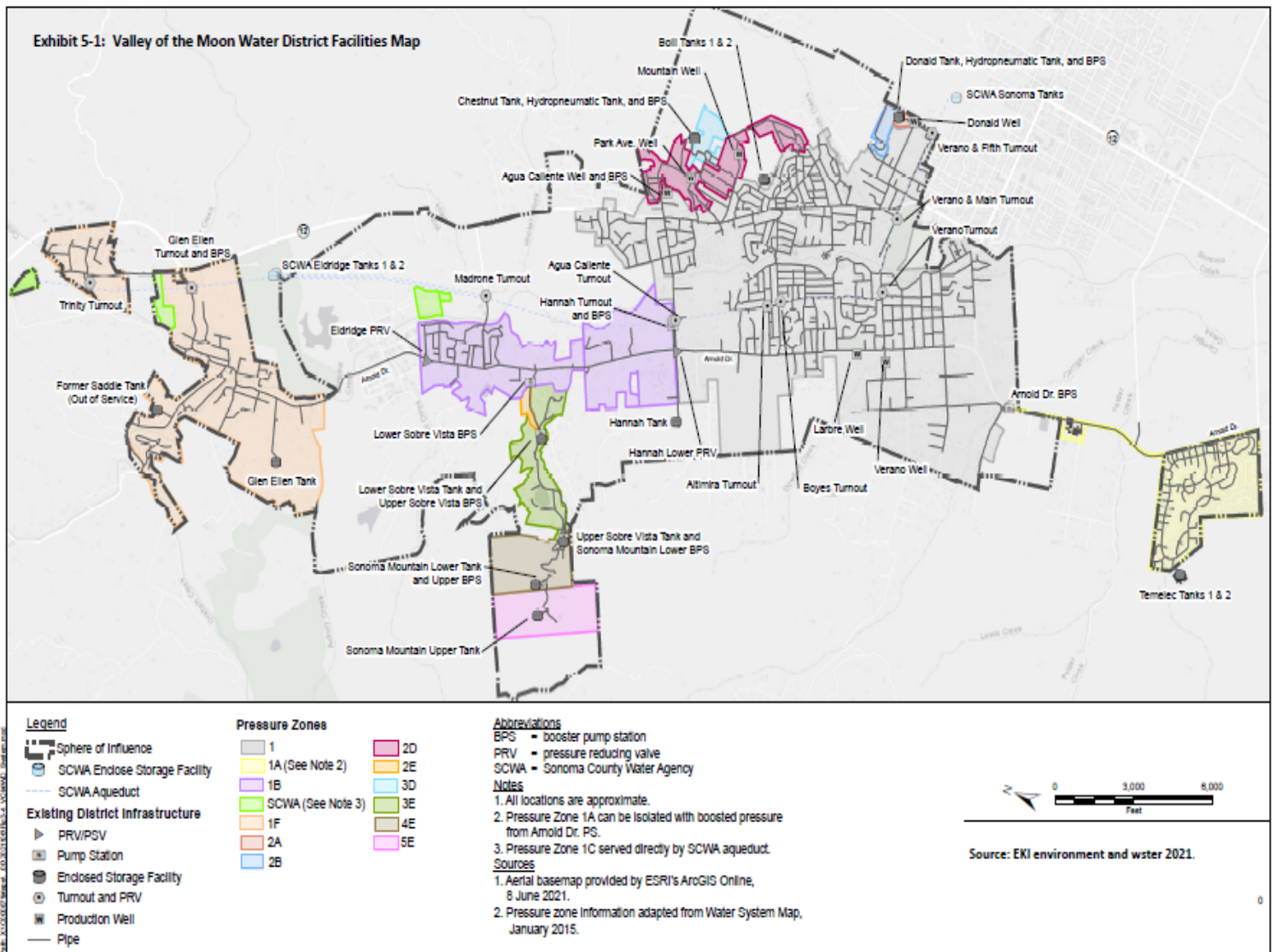
Source: EWI Environment & Water Inc. 2021, Fullner 2024a

As shown in Table 5-2 the capacity of groundwater wells ranges from 80 to 120 gpm for a total of 490 gpm. The district cycles through its wells. Each well is used for nine months and then is offline for three months (typically in the summer). In a normal water year approximately 15% of the District’s water supply is from local wells.

The District and Sonoma Water have an agreement for the district to provide 40% of water demand from groundwater wells to mitigate drought, emergencies, and temporary outages. In order to meet the 40% requirement, the District is exploring options to add additional wells or secure a local surface water source.

The District is hopeful that it can secure rights to water sources at the Sonoma Developmental Center. At this time the State of California has withheld these rights; they are not being transferred to the company selected to redevelop the site.

Exhibit 5-1: VOMWD Distribution System



The District will continue to use its wells to supplement its purchased Sonoma Water supplies but plans to decrease the use of the wells over time as the District implements additional water conservation programs. Groundwater production will be expanded to meet demands in the case of a drought or a decrease in Sonoma Water supply.

5.3 – Sustainable Groundwater Management Act

The District overlies the Sonoma Valley Sub-basin of the Napa-Sonoma Valley Groundwater Basin. The Sonoma Valley groundwater basin is one of three sub-basins that drain South-southeast in San Pablo Bay. The Sonoma Valley sub-basin is not adjudicated, and the basin is not in a condition of critical overdraft.

DWR (Department of Water Resources) had designated the Sonoma Valley Sub-basin as a high priority basin based the density of public supply wells, the density of total wells, irrigated acreage per square mile, groundwater reliance, and documented impacts including declining groundwater levels and subsidence. As a high priority basin, the Sonoma Valley Sub-basin is subject to the requirements of the Sustainable Groundwater Management Act (SGMA), including the requirement to be covered by one or more Groundwater Sustainability Agencies (GSA's) and to prepare a Groundwater Sustainability Plan. Stakeholders include the Sonoma Water, the District, City of Sonoma, and the Sonoma Valley County Sanitation District.

Prior to SGMA, a coalition of local water purveyors participated in the development of a Sonoma Valley Groundwater Management Plan, which was completed in 2007. The Plan was administered by a Basin Advisory Panel, which gave way to the Sonoma Valley Groundwater Sustainability Agency in 2016 after passage of the Groundwater Sustainability Act.

Sonoma Water is currently evaluating the feasibility of groundwater banking as a method of increasing water supply reliability. Groundwater banking would allow the District to supplement groundwater with surface water during wet years so that more groundwater would be stored and be available during dry years. A Groundwater Banking Feasibility Study was completed in 2012. Currently, Sonoma Water is working with the City of Sonoma to implement a pilot study using one of the City of Sonoma's municipal supply wells (Sonoma County Water Agency, 2016).

5.4 – Recycled Water

Extensive pipeline construction would be required to convey recycled water from the Sonoma Valley Water Treatment Plant to the District's service area. As a result, implementation of a recycled water program in the District's service area is cost prohibitive. The District will continue to explore opportunities to use recycled water in the future, however, the District has no plans to use recycled water at present.

5.5 – Emergency Interties

The District has emergency interties with the Sonoma Developmental Center and the Sobre Vista Mutual Water Company (SVMWC). In the event of an emergency, either SDC or SVMWC can provide potable water based on their agreement. The SVMWC intertie is unidirectional and can only be used to supply District water to SVMWC in the event of an emergency.

The District is also able to coordinate with the City of Sonoma on water supply issues in the event of emergencies.

5.6 – Current and Projected Demand

Table 5-3 shows recent water demand by customer class. The data show the demand was well under the 3,200 AFY that the District has contracted with Sonoma Water to receive. In the table water losses are both real and apparent. Apparent losses are defined as metering inaccuracies, systematic data handling errors, and unmetered consumption (i.e. firefighting). Real losses are defined as water loss attributable to the distribution system such as water losses from the pressurized system and the storage tanks. In the table losses from 2016 to 2020 range from 6 to 15%. To minimize losses the District installed acoustic leak sensors that continuously monitor for leaks in the system.

Table 5-3: Demands for Potable and Non-Potable Water 2016-2020

Use Type	Additional Description <i>(as needed)</i>	Level of Treatment When Delivered	Volume (AF)				
			2016	2017	2018	2019	2020
Single Family		Drinking Water	1,344	1,387	1,578	1,497	1,547
Multi-Family		Drinking Water	420	414	480	465	481
Commercial	Commercial/ Institutional	Drinking Water	241	224	258	238	210
Landscape	Landscape/ Irrigation	Drinking Water	24	33	108	47	42
Other	Unbilled consumption (a)	Drinking Water	46	34	33	32	118
Losses	(b) (c)	Drinking Water	259	378	214	151	251
Loss as % of Total			11	15	8	6	9
TOTAL			2,334	2,470	2,671	2,430	2,649

NOTES:

(a) Other non-revenue water includes unbilled unmetered consumption such as fire flow, system flushing, etc.

(b) Losses are the “water losses” value calculated in the District’s AWWA Water Loss Worksheet on a calendar year basis, and refer to total losses, inclusive of real and apparent losses.

(c) The 2020 AWWA Water Loss Worksheet was not available, and thus the water losses in 2020 was estimated to be the average of the water losses from 2016 to 2019.

Source: EKI Environment & Water Inc. 2021.

Table 5-4 shows projected water demand through 2045. Losses identified in the table are both real and apparent as defined above. Given the contract with Sonoma Water the District will need to supplement purchased water with groundwater beginning in 2035. As shown in Table 5-2 the District can provide up to 788 AF for a total available supply of 3,988 AF.

The District's 2020 Urban Water Management Plan, which is a document prepared every five years to project water supply and demand, uses historical population growth in its projections – a rate that averages about 1.5% annually. Historical water demand growth for the District has been almost half that at between 7 and 8%. The Urban Water Management Plan does not specifically account for demands for two significant development projects.

These projects are the proposed Hanna Boys Center development on the east side of Arnold Drive in the Springs (directly across from the existing campus at 810 West Agua Caliente Road), and the redevelopment of the Sonoma Developmental Center in Eldridge.

The Hanna project proposal includes about 668 units of housing and supporting commercial development, as well as a hotel and other commercial activities, the District commissioned a Water Supply Assessment for the project, which must be conducted under state law for projects of 500 housing units or more.

The Water Supply Assessment conservatively estimates that the project would require 150 acre feet per year of water supply, and assumed essentially a full project buildout in 2030. The assessment concluded that this increased demand is well within the projections of the 2020 Urban Water Management Plan.

The Sonoma Developmental Center proposal includes 930 units of housing and 410,000 square feet of commercial development including a 120-room hotel. Again, the District has commissioned a Water Supply Assessment for the development as it is currently proposed. That assessment projected that the project would be built in phases starting in 2030 and concluding in 2045, with estimated demand at project completion of 342 acre feet per year.

The Sonoma Developmental Center has a variety of water supply resources on site, but at this time the State of California has retained rights to the supplies, so there is some uncertainty that that supply could be used to offset water demand from the development. Nevertheless, the District's Water Supply Assessment for the project assumes use of redeveloped on site water resources, and concludes that those resources can not only meet the demands of the project under all conditions (including a five-year drought scenario), but can provide excess supply averaging 280 acre feet per year.

The County is also preparing a Springs Specific Plan for properties on either side of Highway 12 in the Springs as well as some territory north of Verano Avenue above the City of Sonoma. If adopted, the plan would create zoning that would allow for additional commercial and residential development beyond what is allowable currently. Though there are no development proposals that anticipate these potential changes, there is the possibility for more significant development in the area covered by the Specific Plan in coming years.

Although the District's Urban Water Management Plan does not specifically account for the two proposed development projects, or for additional development in the Springs Specific Plan area, the plan indicates that the District will have sufficient water supply capacity for the next twenty years.

Table 5-4: Current and Projected Water Demand 2020 – 2045

Use Type	2020	Projected Water Use (AF) and Projected Water Demand				
		2025	2030	2035	2040	2045
Single Family	1,547	1,724	1,751	1,785	1,825	1,870
Multi-Family	481	519	543	573	608	648
Commercial	210	300	327	354	382	393
Landscape	42	52	56	59	62	66
Losses	369	401	425	450	476	500
TOTAL	2,649	2,996	3,101	3,220	3,353	3,477

Source: EKI Environment & Water Inc. 2021.

5.7 – Water Supply Risks

As described previously, the District relies on two sources for water supplies, and anticipates gaining access to water supplies available at the Sonoma Developmental Center site as part of the redevelopment project proposed there. Each of these sources face a variety of risks, as described below:

Sonoma Water supply:

Typically eighty-five percent of the District’s supply portfolio is water obtained from Sonoma Water under a “Restructured Agreement” entered into by that agency and its wholesale contractors (six cities in Sonoma County, VOMWD, and two water districts in Marin County). Other than risks from catastrophes that would affect the water delivery systems such as a major earthquake, the primary risks of a shortfall in Sonoma Water delivery capacity would be drought conditions or a change in the water rights regime of the agency.

Sonoma Water has had to direct its contractors to reduce water use due to drought conditions affecting Russian River flows and attendant agency storage levels in Lake Sonoma and Lake Mendocino. Through both permanent and short-term demand reductions, and through the use of local supplies, the agency’s contractors have been able meet customer needs during drought conditions.

Sonoma Water does secure some supply from Lake Mendocino, which receives water from Pacific Gas and Electric Company’s Potter Valley Project, which diverts water from the Eel River in Mendocino County. The company is decommissioning this hydroelectric facility, which may include a cessation of diversions from the Eel River to Lake Mendocino. If that occurs, it is expected that Sonoma Water’s supply from Lake Mendocino would be severely diminished.

An interagency group acting under a Joint Powers Agreement is ascertaining whether diversions can continue and under what type of regulatory regime they will be managed.

Even if the diversions continue, there is some indication that Sonoma Water would like to reopen the Restructured Agreement, with the risk that contractors will see a reduction in their current supply allocations.

Although the risks of drought impairments to Sonoma Water supply capabilities are fairly well understood, the risks of a major change in Sonoma Water’s supply portfolio due to cessation of Potter Valley diversions, and the possibility that contractor supply allocations may need to be reduced are known but speculative at this time.

Local groundwater supply:

The District has seven active groundwater wells, four of which are in the designated groundwater basin that has been designated as high priority by SGMA and is under active management by a Groundwater Sustainability Authority.

As noted previously, the District is not utilizing their groundwater well fleet at full capacity even though water supply from these wells is dramatically less costly than Sonoma Water supplies. The District is operating the wells at lower than available capacity to ensure availability to other groundwater users and to ensure the long-term viability of the wells.

The primary risk to groundwater supply for the District is again drought, which could raise “competition” for groundwater with other users. Again, the District has managed their groundwater supply portfolio during drought conditions by asking customers to reduce water use during these periods.

Though the District has experienced groundwater quality issues at one of its facilities, that issue is being managed through appropriate treatment technology.

Sonoma Developmental Center supply:

As noted previously, the Sonoma Developmental Center site has existing, though inactive and poorly maintained water supply infrastructure that includes inactive groundwater wells, two surface reservoirs, a treatment plant that requires significant upgrades, rights to Sonoma Creek diversions which have not been exercised, and a distribution system that is wholly inadequate and will require outright replacement.

Furthermore, the State of California has to date withheld the rights to water supply on the site pending negotiations with the selected developer and the District. Although it is unclear what result future negotiations will lead to, there are only two likely scenarios.

The first is that the District annexes the site and assumes responsibility for service provision, but also secures the water rights and uses those supplies to offset the water demands of the redevelopment project. The Water Supply Assessment conducted by the District indicates that the on-site supplies are more than adequate to meet the projected demands and that any excess capacity will diversify and supplement the District’s existing water supply portfolio.

The second option is that the State sell the water rights to the selected developer, or a third party who would in turn provide water to the projects. In this case the District will not see an

increase in water demand, and may still be able to access water supply on site that is in excess of the project's expected demand.

In either scenario the District's supply picture is unaffected because on-site resources are used to meet the project's projected demands.

Determinations:

5.1 The District's primary source of water is purchased water from Sonoma Water supplemented by groundwater from the District's wells. The purchased water is conveyed to the District by an aqueduct. The District contracts with Sonoma Water for 3,200 AFY per year. Groundwater is produced by the District's five active wells (with two wells available and in reserve). The District's wells can produce up to 788 AFY.

5.2 The District participates in the Sonoma Valley Groundwater Sustainability Agency and is reviewing a groundwater banking program for the future.

5.3 The District has determined that recycled water is not feasible at this time and has no plans to use recycled water.

5.4 Recent water demand ranged from 2,343 to 2,649 AFY, well under the contracted supply commitment from Sonoma Water. Projected demand surpasses Sonoma Water's supply commitment in 2035. However, there is sufficient District groundwater capacity to meet projected demand for 2035 through 2045.

5.5 Both District sources of water face a variety of risks, including drought and changes to regulatory regimes governing Sonoma Water supplies and groundwater use.

5.6 The District's 2020 Urban Water Management Plan anticipates an annual 1.5% growth in demand, which is about double historical levels. The Plan does not specifically account for two large proposed developments (the Hanna Boys Center development and the Sonoma Developmental Center redevelopment). The Hanna Boys Center Development projected demand is 150 acre feet per year, and is well within the demand growth projected in the Plan. The SDC development is projected to require 342 acre feet per year, with demand expected to be met with supplies from water resources on the site.

5.7 The District faces other demand increases, including a hotel and housing development on Verano Avenue, and potential development within the Springs Specific Plan area that may occur due to rezoning. The District contends that these demands are adequately accounted for in their current Urban Water Management Plan.

5.8 The District's Urban Water Management Plan does not forecast additional demands from new housing laws that allow for the development of Accessory Dwelling Units (ADUs), residential lot splits, and development of small multifamily projects in areas that were exclusively zoned for single-family residential development. The District notes very little development of ADUs and believes that any additional potential demand pressure is offset by recent long-lasting conservation measures including home water efficiency measures and conversion of landscaping to low-or zero-water use. The District further perceives a conversion of existing residences to second-home use, reducing water demands significantly from these properties.

5.9 The District has developed, with contracted technical support, a demand forecasting tool that can account for large development projects. The District should integrate known large-scale developments into future Urban Water Management Plans, as well as attempt to integrate more general trends such as ADU development into the plan.

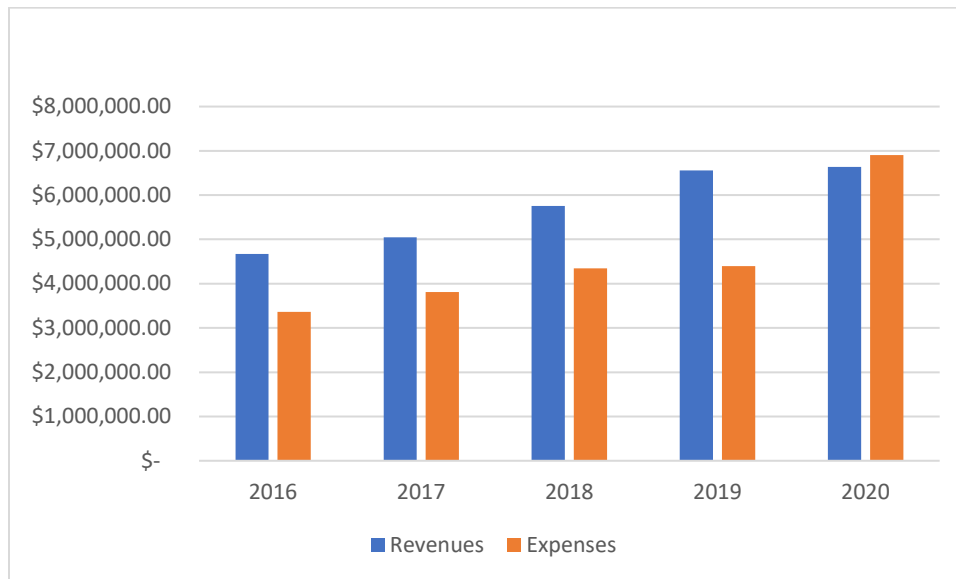
6: FINANCIAL ABILITY TO PROVIDE SERVICE

6.1 – Revenues and Expenses

Funding sources for the District include connection fees and water rates. Connection fees are highly variable and are only charged for new services. Connection fees are set aside for capital improvement projects. Water charges provide a steady source of revenue to balance ongoing expenses. The average revenues for the period 2016-2020 were \$5.7 million and average expenses during the same period were \$4.5 million.

Exhibit 6-1 shows the variation during that period. Of interest are expenses for 2020 which increased dramatically over 2019. During FY 2020-21 the Board adopted a new staffing model for the Administrative and Finance Departments. Prior to 2020 the Administrative Department manager’s position included managing the Financial Department. In 2020 the District split the duties of the general manager/chief financial officer into two separate positions. That left a deficit of approximately \$264,000 which was addressed through a transfer from reserves.

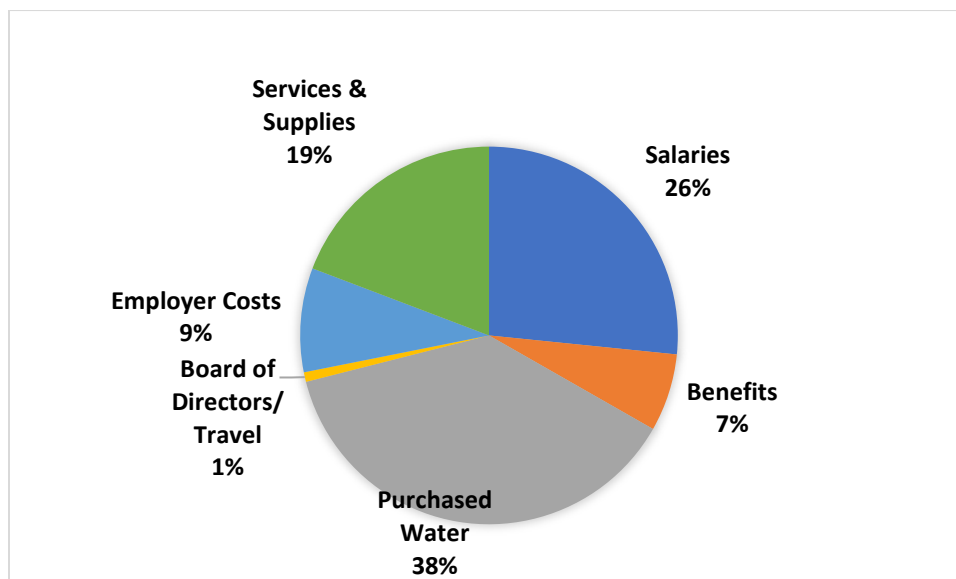
Exhibit 6-1: Revenues and Expenses 2016-2020



Source: Moss, Levy & Hartzheim 2018, Moss, Levy & Hartzheim 2019, Harshwal & Company.2020, Harshwal & Company.2022

Exhibit 6-2 shows the allocation of expenses. The exhibit shows on average purchased water represents 38% of total expenses, salaries are 26% and services and supplies 19%. Board of Directors stipends and travel are only 1%. Employer’s costs represent workers comp, Medicare and CalPers costs. The data in the exhibit represent estimated actual values for FY20-21, FY21- 22, FY22-23 and budgeted amounts for FY 23-24.

Exhibit 6-2: Average Allocation of Expenses



Source: Valley of the Moon Water District.2021a,2022,2023b.

The total revenue for FY 2023-2024 is projected to be \$7.9 million, while total expenses are projected at \$6.03 million. Total revenue less expenses is projected to be \$1.9 million of which \$682,323 will be transferred to the capital improvement plan (CIP) reserve.

6.2 – Debt Service

VOMWD had two long-term debt obligations. In September 1999, the District sold a \$2,833,992 Certificates of Participation Note to Sonoma Valley Bank (now Westamerica Bank) in order to finance the initial two years of the Capital Improvement Program. Total annual payments (principal and interest) are \$213,638 with interest accruing at 4.00%. The note matured on September 1, 2021. The remaining balance was paid in FY 2021-22. As such the District has completed its financial obligation for this note.

On June 15, 2008, the District entered into an installment sale agreement with California Infrastructure and Economic Development Bank for \$810,000. Proceeds of this agreement were used for the construction portion of the Well No. 5 Replacement Project, which includes replacement of an abandoned production well, construction of a well house and security fence, and acquisition and installation of a pump, appurtenances, a filtration system, and a disinfection system. Interest accrues on the agreement at 3.17% and repayments began on February 1, 2009. The agreement matures on August 1, 2027. Principal and interest amount to \$56,600 annually. The remaining debt of \$313218.60 was paid off early in FY 2021-22.

Reserves

The District has adopted reserve policies and established several reserve funds. There are three types of reserve funds, restricted reserves, unrestricted reserves, and reserves adopted by the Board. Legally Restricted Reserves have restrictions imposed by an outside source, such as bond covenants or contractual obligations. The District does not currently have any restricted reserves. Unrestricted

reserves are accumulated as a result of unexpected water sales revenues or the sale of assets. Unrestricted reserves are used to fund the CIP.

The Board has designated three reserve funds, the operations and maintenance reserve, rate stabilization reserve, and the Capital Improvement Program (CIP) reserve. The operations and maintenance reserve was established to retain sufficient funds for emergency operations in the event of an emergency incident, such as fire, earthquake, a major system failure, drought or flood. The reserve is able to fund three average months of the annual operations and maintenance budget or \$1 million whichever is higher. The Rate Stabilization Reserve is designed to buffer revenue instability as a result of drought, natural disaster, or economic downturn. This reserve is funded at one month of water rate revenue but not more than \$500,000. The CIP reserve was established to fund the five-year CIP. The reserve is intended to be used to meet cashflow needs during construction. Its balance varies by fiscal year. The reserve is targeted as three percent of asset values or \$800,000. Use of this fund must be approved during the budget process.

6.3 – OPEB

The District provides health insurance benefits after retirement known as Other Post Employment Benefits (OPEB). The amount depends on the age at the time of retirement and years of service to the District. Employees who retire after age 50 with at least 5 years of service receive the minimum amount. Those with at least 5 years of service and 10 service to a public agency receive an additional benefit amount. The net OPEB liability to the District, based on the 2020 audit, is \$382.498.

6.4 – Capital Improvement Plan (CIP)

The District's five-year CIP is updated annually. The updated CIP covers fiscal years 2023-2024 through 2027-2028. Table 6-1 shows estimated costs for the CIP through FY 27-28 by project type.

The budget for the first year CIP (FY 23-24) for \$3,414,295, includes \$1,531,972 in rollover funds from FY 2022-2023 and \$ 1,882,323 in new CIP funds. The rollover funds are designated for installing the new Park Avenue well and Chestnut exploratory well, which are not yet complete.

Table 6-1: Five Year Capital Improvement Plan Allocation

Project Type	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Facilities and Maintenance Projects	\$703,438	\$571,136	\$446,535	\$524,963	\$529,415
Pipeline Projects	\$903,262	\$910,391	\$1,051,565	\$721,887	\$926,091
Wells, Pumping, & Supply	\$1,726,004	\$1,085,158	-	-	\$308,697
Tanks	\$81,591	\$976,642	\$1,055,082	\$481,258	\$177,810
Total Improvements:	\$3,414,295	\$3,543,327	\$2,553,182	\$1,728,108	\$1,942,012

Source: Valley of the Moon Water District 2023d.

6.5 – Expenses: GSA Participation

As noted previously, the District is part of a Joint Powers Authority that runs the Sonoma Valley Groundwater Sustainability Authority, and provides annual funding to support staff activities.

The County of Sonoma has also been supporting the three GSAs in the county but has announced plans to step away from that role.

In that event, the other agencies supporting the SVGSA, including VOMWD, would nominally have to increase their financial contributions accordingly. Another option is to charge fees to groundwater users within the GSA to financially support the agency.

The funding shortfall if Sonoma County drops out of the GSA is not insignificant, though if shared by the remaining agencies contributions would need to increase by tens of thousands of dollars. Given VOMWD’s total annual budget of over seven million dollars, this is a fairly modest increase in expenses. Again, the increases could be reduced or obviated by charging fees to groundwater users within the GSA.

6.6 – Water Rates

In 2022, the District completed a rate study to project rates for the period from FY2022/23 through FY 2026/27. The District maintains a two-tiered system primarily because there are two main sources, purchased water from Sonoma Water, and groundwater provided by the Districts wells. The rate structure consists of two tiers for residential customers and a fixed rate for other customer classes. Tier 1 rates are based on the cost of providing ground water from District wells. Tier 2 is tied to the cost of purchasing water from Sonoma Water. Residential customers are billed on a bi-monthly basis.

Other customer classes, such as commercial, are charged a fixed rate equal to the residential tier 1 rate of \$7.61 per thousand gallons used. At present residential customers are charged \$4.90 per thousand gallons up to 4,000 gallons. Consumption above 4,000 is charged at the tier 2 rate, presently, \$8.46 per thousand gallons.

Table 6-2 shows the rate structure adopted by the district based on the most recent study. Residential rates include single family, multi-family with 2-3 units, outside district customers, and Sonoma Water residential customers. Rates shown are adopted by a Proposition 218 process. Annual changes would need to be approved by the board. Typically, the board has the discretion to adopt increases up to the rates shown in the table.

Table 6-2: Current and Future Water Rates

Customer Class	FY2023/24	FY 2024/25	FY 2025/26	FY2026/27
Residential Only - Tiered Rates				
Tier 1: 0-4,000 gallons	\$4.90	\$5.24	\$5.61	\$6.00
Tier 2: over 4,000 per 1000 gallons	\$8.46	\$8.85	\$9.47	\$10.13
Commercial Rate per 1,000 gal.	\$7.61	\$7.99	\$8.55	\$9.15

Source: NBS.2022, Valley of the Moon Water District 2024a.

The District even went as far as delaying the regular rate increases in both 2020 and 2021 in an effort to keep rates as low as possible, for as long as possible. Furthermore, the District was successful in obtaining approximately \$118,000 in state arrearage funds and applied those funds to 420 customer accounts.

The new rates proposed for FY 22-23 will result in an average residential water bill that is nearly flat compared to existing average bills. This is due to volumetric rates increasing slightly, while fixed charges came down slightly. Many residential customers will actually see a slight decrease in their bill the first year of the new five-year plan.

Determinations:

6.1 The total revenue for FY 2023-2024 is projected to be \$7.9 million, while total expenses are projected at \$6.03 million. Largest expenses are purchased water, 38%, salaries, 26%, and services and supplies, 19%. The remaining expenses include benefits, employer expenses, and board of director's expenses.

6.2 Funding sources for the District include connection fees and water rates. Connection fees are highly variable and are only charged for new services. Connection fees are set aside for capital improvement projects. Water charges provide a steady source of revenue to balance expenses. The District maintains a two-tier rate schedule to account for the cost of providing purchased water and groundwater.

6.3 Revenues exceeded expenses each year except in FY2019-2020. The shortfall was due to creating a second managerial position, so the Administration and Finance had separate managers. The shortfall was addressed through a transfer from reserves.

6.4 The Board has designated three reserve funds, the operations and maintenance reserve, rate stabilization reserve, and the Capital Improvement Program reserve. The operations reserve is able to fund three average months of the annual operations and maintenance budget or \$1 million, whichever is higher. The Rate Stabilization Reserve is designed to buffer revenue instability as a result of drought, natural disaster, or economic downturn. This reserve is funded at one month of water rate revenue but not more than \$500,000. The CIP reserve was established to fund the five-year CIP. The reserve is targeted as three percent of asset values or \$800,000. The District has a five-year CIP plan for approximately \$10 million in improvements, starting with \$3.4 million in FY 23-24.

6.5 The district has no outstanding debt obligations. The previous debt of \$382.498, due in 2027, was retired early in FY 2021-22. The net OPEB liability to the District, based on the 2020 audit, is \$382.498 in 2020. The total liability to the District based on the 2020 audit is \$5.2 million.

6.6 Rates generate approximately \$7 million annually which is sufficient to cover expenses.

7: STATUS OF AND OPPORTUNITIES FOR SHARED FACILITIES

This section discusses shared facilities with other agencies as well as management efficiencies. The District works with Sonoma Water to purchase water for its customers. Water from the Sonoma Water aqueduct is supplemented by ground water from the District's wells.

In the past the District has participated in a Director Subcommittee charged with managing relationships with the City of Sonoma, in part to explore potential opportunities to share services up to and including a consolidation of operations. The City and VOMWD continue to cooperate on operational issues. However, the City of Sonoma is reluctant to discuss further efforts to consider outright consolidation of municipal water services.

The District has been very active in managing its groundwater resources and has worked with a number of agencies on groundwater management plans. Prior to the passage of SGMA, the District participated in a coalition of local stakeholders for development of a Sonoma Valley Groundwater Management Plan (Sonoma Valley GMP), which was completed in 2007. This plan was prepared to inform and guide stakeholders in maintaining a sustainable, high-quality groundwater resource for the users of the groundwater basin underlying the Sonoma Valley. Stakeholders participating in the Sonoma Valley GMP were Sonoma Water, the VOMWD, the City of Sonoma, and the Sonoma Valley County Sanitation District. Guidance for the Sonoma Valley GMP effort was provided by a Basin Advisory Panel, which included additional stakeholders representing agricultural interests, local citizen groups, environmental groups, and business interests. The Sonoma Valley GMP identified a range of voluntary management actions, including groundwater recharge, groundwater banking, increased water use efficiency, and greater use of recycled water to reduce demand for groundwater.

After SGMA became law, the District participated in the Sonoma Valley GSA (Sonoma Valley Groundwater Sustainability Authority). The District has been actively involved in groundwater management plan (GMP) development activities and will continue to be involved throughout SGMA implementation. The District has one director and one alternate member on the Sonoma Valley GSA Board of Directors, as well as one appointee on the Advisory Committee. The GSA Board of Directors meets every two months. The advisory committee meets every month to provide input and recommendations to the GSA Board of Directors on GSP development, implementation, and policies. Both the GSA Board of Directors and the Advisory Committee receive input from a number of administrative and technical staff, as well as legal and financial consultants.

Another measure of management efficiency is whether the District develops plans for provision of services. VOMWD has adopted a new strategic plan in 2022 and a rate study. The District also prepares a capital improvement plan that updates the infrastructure and provides a plan for replacement of outdated facilities. In addition, the District adopts an annual budget, which is a financial plan. The District also adopted a Hazard Mitigation Plan.

Every five years the District updates its Urban Water Management Plan. The UWMP reviews demand and supply needs and sources. It also estimates supply for an average rainfall year, a single dry year and multiple dry years. The goal is to identify needs and sources to meet demand. The UWMP also contains the Water Shortage Contingency Plan. The District recently adopted is 2020 UWMP.

Determinations:

7.1_The District works with Sonoma Water and a number of other agencies to provide potable water to its customers. The District has participated with several agencies on plans to comply with SGMA to protect its groundwater resources.

7.2 The district exhibits management efficiencies through its planning activities. In addition to the Sonoma Valley GSP, the District adopted a new strategic plan in 2022 and a rate study. The District regularly updates its capital improvement plans and annually adopts a spending plan, the budget.

8: ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENT STRUCTURE AND OPERATIONAL EFFICIENCIES

The District is governed by a five-member Board of Directors. The Board members serve four-year staggered terms. Elections are held during November of each even-numbered year.

Board meetings are held at 6:30, generally on the first Tuesday of the month. The District publishes a meeting schedule on its website. The meetings are held in compliance with the Brown Act. VOMWD issues appear on the agenda as needed. The Agency encourages public participation at its meetings. The Board may also appoint standing or ad hoc committees to assist in developing policies. In addition, the Board will hire consultants who have special expertise in providing water services or managing a water system.

Board members receive a stipend of \$216 per meeting and up to \$1000 a year for travel and training. That amount is adjusted annually by a COLA.

The Board also serves as the Board of Directors for the Valley of the Moon Financing Corporation. The Corporation allows the District to borrow at commercial rates. In recent years there has been very little activity in that the Corporation meets the first week of each new year to elect officers and then adjourns.

The organization of the VOMWD is shown in Exhibit 8-1, the organizational chart. The exhibit shows the relationship of the departments to the general manager and board of directors.

The District forms citizen advisory committees for specific projects. An example was the citizens advisory committee for the rate study that was completed in 2022. There is also a committee that includes residents for the Hazard Mitigation plan. Otherwise, the district communicates with residents through mailed notices, its website, Nextdoor and social media.

Sphere of Influence Considerations

The District serves about a half dozen out of area customers. As required under Government Code Section 56133 each of the out of area service customers is within the District's SOI. At this time residents along Dunbar Road in the Trinity Oaks area and one resident near Glen Ellen are requesting out of area services so the SOI would need to be amended to include them. The Springs Specific Plan areas are already within the boundaries of the District. There are no other anticipated changes to the SOI.

Determinations:

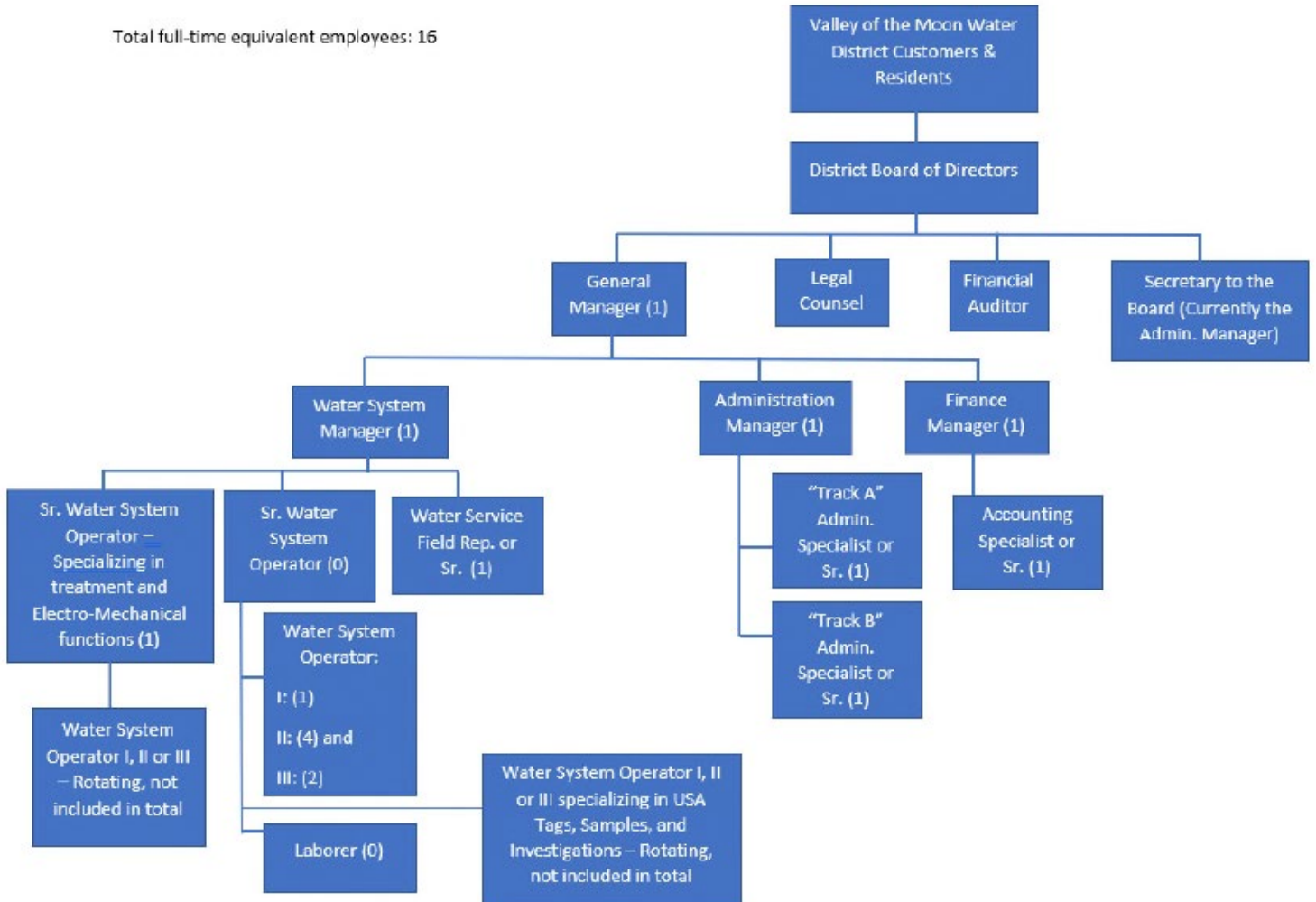
8.1 The VOMWD is governed by a five-member board of directors, elected to four-year staggered terms. Board members receive compensation of \$216 per meeting.

8.2 Board meetings are held monthly, generally on the first Tuesday at 6:30. The District posts a meeting schedule on its website. Meetings follow the Brown Act.

8.3 The District communicates with residents through mailed notices, its website, Nextdoor and social media.

Exhibit 8-1: Valley of the Moon Water District Organizational Chart

Total full-time equivalent employees: 15



9: SPHERE OF INFLUENCE CONSIDERATIONS

The Sphere of Influence (SOI) is defined as the plan for the probable physical boundaries and service area of a local agency. CKH provides for a review of the sphere of influence every five years or as necessary. The Commission is required to make determinations in five specific areas.

Present and planned land uses in the area, including agricultural and open space lands: This consists of a review of current and planned land uses based on planning documents to include agricultural and open-space lands.

Present and probable need for public facilities and services: This includes a review of the services available in the area and the need for additional services.

Present capacity of public facilities and adequacy of public services provided by the agency: This section includes an analysis of the capacity of public facilities and the adequacy of public services that the City provides or is authorized to provide.

Social or economic communities of interest: This section discusses the existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the District. These are areas that may be affected by services provided by the District or may be receiving services in the future.

Present and probable need for services to disadvantaged communities: Beginning July 1, 2012, the commission must also consider services to disadvantaged communities which are defined as inhabited areas within the SOI whose median household income is less than or equal to 80 percent of the statewide median income.

The District's Sphere of Influence was amended in October 2017 to include areas beyond the District's current service area. As shown in **Exhibit 1-1**, the District's Sphere of Influence now also includes territory served by the Sobre Vista Mutual Water Company (SVMWC) and territory previously occupied by the campus area of the now-closed Sonoma Developmental Center (SDC).

While there are no plans to annex the SVMWC territory, the District does expect to annex the former SDC campus into its service area. Between 2002 and 2019 SDC operated a water system that relied on two lakes on the campus that were capable of producing 1.8 million gallons per day of drinking water. The system shut down in 2019 when SDC shut down. The locally available water from SDC would be needed in order for the District to provide service for the planned redevelopment.

One parcel at 12405 Flicker Hill Road near Glen Ellen has recently received district services under an Out of Service Area Authorization granted by LAFCO. A group of properties on and around Dunbar Road in the Trinity Oaks area have requested to be included in the District's sphere in order to pursue annexation to the District. Table 9-1 provides the addresses of these properties, the APNs, the size in acres and the current zoning. In addition, there is a reference code to the map in Exhibit 9-1. The reference code is the last two digits of the APN.

Table 9-1: Sphere of Influence Amendments

Address - Glen Ellen	APN	Land Use	Acreage	Exhibit Ref
12781 Dunbar Road	APN: 053-120-007	rural residential	5	7
12600 Dunbar Road	APN: 053-110-008	NA	NA	8
12841 Dunbar Road	APN: 053-120-020	rural residential	1.7	20
12800 Dunbar Road	APN: 053-110-024	rural residential	5	24
12847 Dunbar Road	APN: 053-120-055	rural residential	NA	55
12655 Dunbar Road	APN: 053-110-057	irrigated vines	10.9	57
12640 Dunbar Road	APN: 053-110-059	irrigated vines	5.73	59
12702 Dunbar Road	APN: 053-110-077	NA	NA	77
12555 Dunbar Road	APN: 053-110-078	rural residential	9.56	78
100 Trinity Road	APN: 053-110-079	rural residential	20	79A
12702 Dunbar Road	APN: 053-110-079	irrigated vines	11.37	79B
12700 Dunbar Road	APN: 053-110-080	irrigated vines	10.03	80
12405 Flicker Hill Road	APN 053-160-029	rural residential	3.61	*
		Total	82.9	

NA – not available

Source: Sonoma County Assessor 2024.

In order to amend the District’s sphere of influence, determinations must be made in the following five categories:

Present and planned land uses in the area, including agricultural and open space lands.

Determination

9.1 The properties proposed for inclusion in the District’s sphere of influence are primarily zoned for rural residential purposes and are not slated for additional development and are not expected to be re-zoned.

Discussion

Land uses within the District include a mix of urban and semi-rural urban uses and are primarily residential. Current land uses within the District, per the Land Use Element of the County of Sonoma

General Plan 2020 are shown on **Exhibit 9-2**. The County of Sonoma is currently working to update its General Plan, prepare a Specific Plan for the Sonoma Developmental Center (a plan was recently vacated by the courts), and prepare the Springs Specific Plan.

Exhibit 9-1: Additions to Sphere of Influence

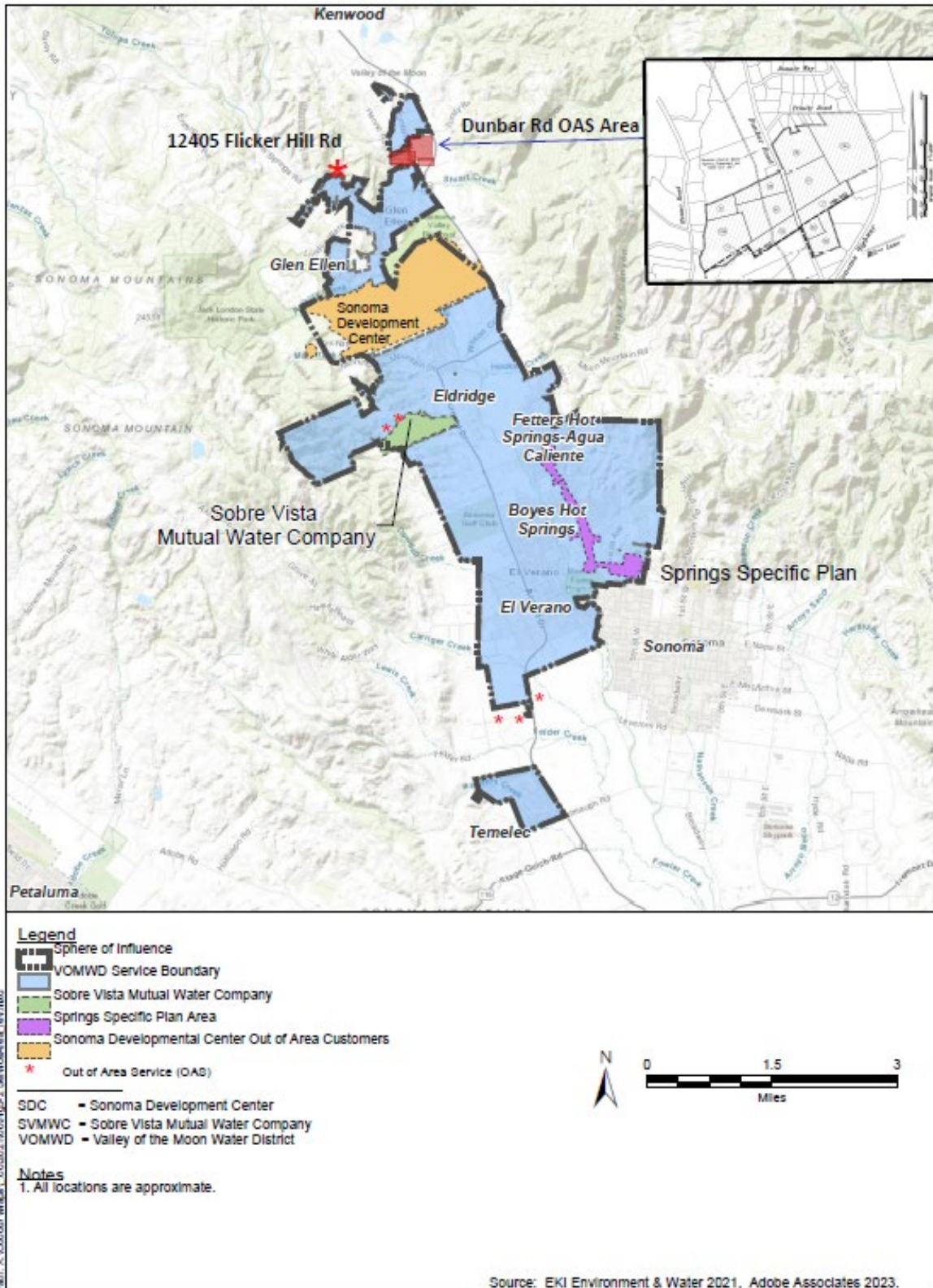


Table 9-1 shows land uses for the properties proposed to be added to the District’s sphere of influence. Most parcels are designated rural residential, while a few are designated as irrigated vineyards. The Flicker Hill Road parcel is also designated rural residential. At present there are no plans to change zoning or develop these areas.

Present and probable need for public facilities and services

Determination

9.2 Both the Trinity Oaks and Flicker Hill Road parcels are appropriate additions to the sphere of influence for VOMWD. The Trinity Oaks area is experiencing declining groundwater availability; the Flicker Hill Road parcel experienced groundwater quality issues and has been approved for VOMWD service under an Outside Service Area Authorization.

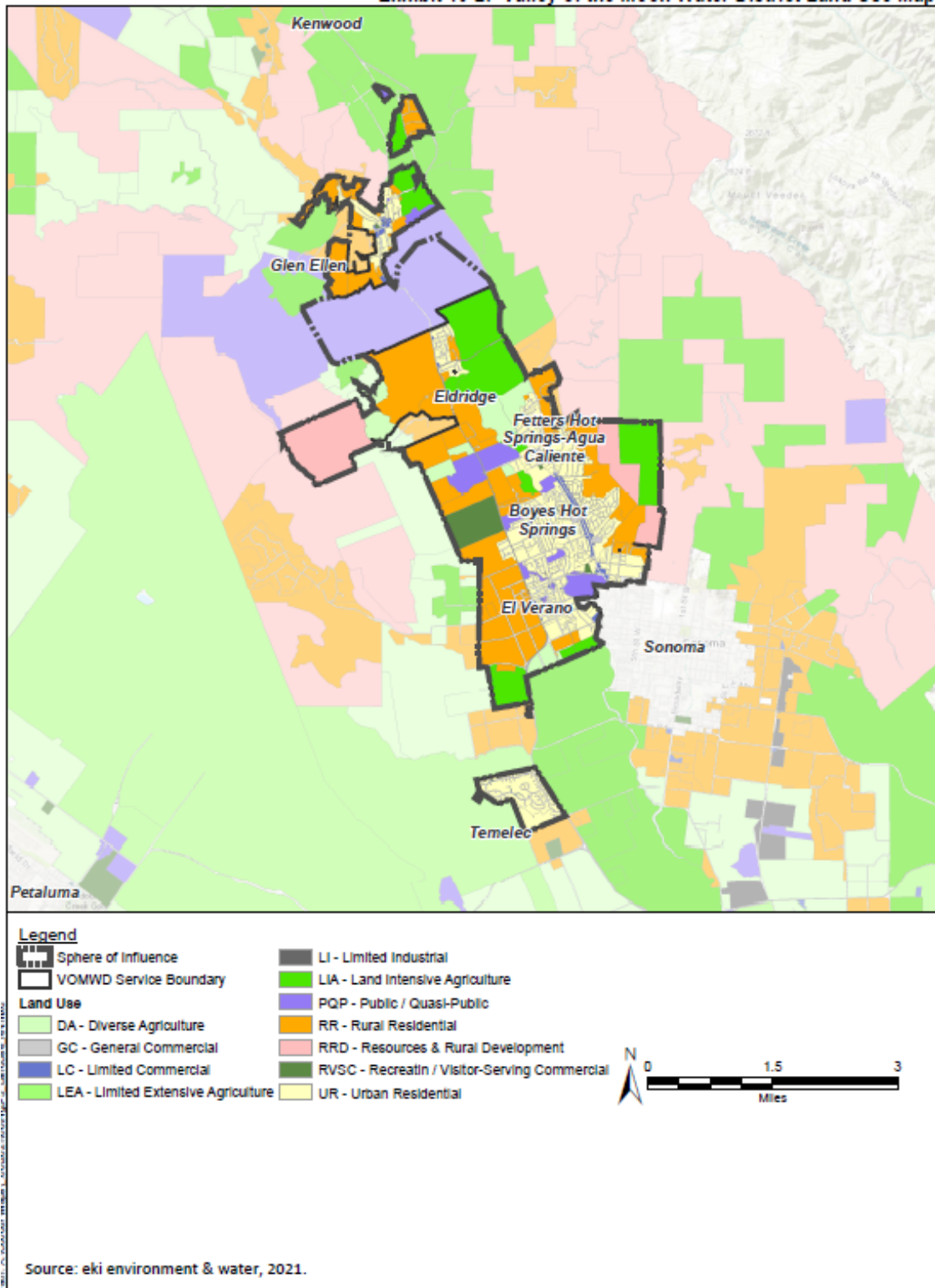
Discussion

The Trinity Oaks area has experienced declining groundwater availability and residents will likely require municipal water service in the near term.

The Flicker Hill Road property is due to be served by the District under an Outside Service Area Authorization (the parcel experienced groundwater quality issues that could not be mitigated cost-effectively).

Parcels in the Trinity Oaks area that are partially under vineyard development would not receive municipal water service from the District for that use per District policy.

Exhibit 9- 2: Valley of the Moon Water District Land Use Map



In addition, the District is working with the County on the development of the Springs Specific Plan which is for a residential and commercial areas immediately north of the City of Sonoma and along Highway 12 in the Springs. It is anticipated that the Springs Specific Plan will enable infill development with additional residences that will require municipal water services.

Present capacity of public facilities and adequacy of public services provided by the agency.

The capacity section of this report has indicated that the District has the capacity to serve the area within its current boundary, for both existing and proposed development, through 2045.

Demand for potable water from 2016-2020 ranged from 2,334 to 2,671 AF. Total annual capacity is 3,200 AF of purchased water plus up to 788 AF of groundwater for a total of 3,988 AF.

The anticipated demand by the additional rural residential parcels is approximately 0.89 AFY based on the value of 118 GPCD. This increased demand is small compared to overall demand and availability in the near term.

Demand estimates show the District will have sufficient water through 2030 based on the purchased water agreement alone. After 2030 demand exceeds 3,200 AF and will need to be supplemented with groundwater. Maximum demand for normal, dry year and sustained dry years is estimated as 3,477 AF in 2045. Given that 788 AFY is available from groundwater there is sufficient water to meet anticipated demand. Therefore, the District has the capacity to accommodate serving the properties recommended for inclusion in the District's sphere.

However, as noted in extensive discussion in the capacity section of this report, the District's Urban Water Management Plan projects demand growth based on a historical rate on the order of 1% annually.

There are two large potential development projects that will seek service from the District: the Hanna Boys Center project and the redevelopment of the Sonoma Developmental Center. Additionally, if the Springs Specific Plan is adopted by the County, there is the potential for significant commercial and residential development in the future in the areas covered by the plan.

Should the two project proposals progress in the near term, they would clearly drive demand growth that is not anticipated in the Urban Water Management Plan projections. Depending on the levels of growth, the District may need to rely on existing and new groundwater supplies to augment supplies from Sonoma Water.

Determination

9.3 The District has sufficient existing water supply capacity to serve existing customers within its service area as well as the projected needs of the properties recommended for inclusion in the District's sphere of influence. The District may face significant demand growth from two large potential development projects in the near term however, and will have to re-evaluate water supply and demand projections accordingly.

Social or economic communities of interest.

Determination

9.4 There are no designated communities of interest proximate to the borders and sphere of influence of the District.

Present and probable need for services to disadvantaged communities.

Determination

9.5 Independent special districts are exempt from Disadvantaged Unincorporated Community annexation provisions. Additionally, there are no Identified Disadvantaged Unincorporated Communities proximate to the District's borders or sphere of influence.

10: RECOMMENDATIONS

The VOMWD is a well-run water district. Rates are sufficient to provide enough revenue for services. Typically, a rate study is performed every five years to provide a realistic assessment of costs for water service. The most recent rate study was completed in 2022, so the district is not due for another study until 2027.

The District has sufficient capacity to accommodate growth up to 2035 with purchased water from Sonoma Water. After 2035 and through 2045 purchased water must be supplemented with groundwater to meet demand. Nevertheless, the District has sufficient capacity to meet demand. The District is in the process of refurbishing one of its wells and possibly drilling another. While not really needed now the new wells can add to capacity toward the 20-year time horizon and if feasible should be completed.

The development of the Springs Specific Plan area is expected around 2040. The additional cost for service will be assessed through connection fees. By that time the District should have completed its CIP projects to provide additional capacity through enhanced groundwater and water banking.

Several landowners around Dunbar Road in the Trinity Oaks area have requested to be included in the District's sphere, so that they may seek annexation to the District. The anticipated demand by the additional rural residential parcels is approximately 0.89 AFY. The expected demand from the OASA parcels is small compared to overall demand and availability in the near term. Demand estimates show the District will have sufficient water through 2030 based on the purchased water agreement alone. After 2030 demand exceeds 3,200 AF and will need to be supplemented with groundwater. Maximum demand for normal, dry year and sustained dry years is estimated as 3,477 AF in 2045. Given that 788 AFY is available from groundwater, for a total of 3,988 AF, there is sufficient water to meet anticipated demand. Therefore, the District has the capacity to accommodate additional out of area customers.

The additional rural residential properties are likely to need potable water. Without water from the District water would be drawn from private wells. Annexation to the District can be approved if the parcels in question are within the SOI. Therefore, it is recommended that the District amend the current SOI to include them.

Determinations:

10.1 The District is in the process of refurbishing one of its wells and possibly drilling another. While not needed now the new wells can add to capacity toward the 20-year time horizon and if feasible should be completed. The District should amend the SOI to include the Dunbar Road and the Flicker Hill Road parcels so as to allow for annexation to the District.

11: SUMMARY OF DETERMINATIONS

11.1 – Municipal Service Review Factors

The following is a summary of determinations for each of the seven areas.

Growth and Population Projections for the Affected Area.

3.1 The population estimate for the District is 23,687 based on the number of connections and an average of 3.3 persons per connection. The factor was derived by the District based on an analysis of the 2000 and 2010 census.

3.2 The District is anticipating significant development projects at the Sonoma Developmental Center site, the Hanna Boys Center mixed-use development, and projects that would be enabled by the Springs Specific Plan.

3.3 Based on ABAG regional plans it is anticipated that the District population will grow by 1.5% annually for a total of 33,483 in 2045. Historical population increases average about half that rate or 0.7% per year. Using historical growth, the District population would be 31,292 in 2045. These two figures can be considered an upper and lower bound for the population.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

4.1 Disadvantaged Unincorporated Communities (DUCs) are defined as inhabited unincorporated areas whose median household income is less than 80% of the statewide median household income (MHI). For 2020 that figure was \$62,938. The DWR mapping tool identified one area that fell below 80% of the statewide MHI in Boyes Hot Springs. However, the area is within the District and receives water from VOMWD. There are no DUCs in or adjacent to the SOI.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services Including Infrastructure Needs or Deficiencies.

5.1 The District's primary source of water is purchased water from Sonoma Water supplemented by groundwater from the District's wells. The purchased water is conveyed to the District by an aqueduct. The District contracts with Sonoma Water for 3,200 acre feet per year (AFY). Groundwater is produced by the District's five active wells. The District's well can produce up to 788 AFY.

5.2 The District participates in the Sonoma Valley Groundwater Sustainability Agency and is reviewing a groundwater banking program for the future.

5.3 The District has determined that recycled water is not feasible at this time and has no plans to use recycled water.

5.4 Recent water demand ranged from 2,343 to 2,649 AFY, well under the contracted supply commitment from Sonoma Water. Projected demand surpasses Sonoma Water's supply commitment in

2035. However, there is sufficient District groundwater capacity to meet projected demand for 2035 through 2045.

5.5 The District’s Urban Water Management Plan anticipates an annual 1.5% growth in demand based on historical trends. The Plan does not specifically account for two large proposed developments (the Hanna Boys Center development and the Sonoma Developmental Center redevelopment).

5.5 Both District sources of water face a variety of risks, including drought and changes to regulatory regimes governing Sonoma Water supplies and groundwater use.

5.6 The District’s 2020 Urban Water Management Plan anticipates an annual 1.5% growth in demand, which is about double historical levels. The Plan does not specifically account for two large proposed developments (the Hanna Boys Center development and the Sonoma Developmental Center redevelopment). The Hanna Boys Center Development projected demand is 150 acre feet per year, and is well within the demand growth projected in the Plan. The SDC development is projected to require 342 acre feet per year, with demand expected to be met with supplies from water resources on the site.

5.7 The District faces other demand increases, including a hotel and housing development on Verano Avenue, and potential development within the Springs Specific Plan area that may occur due to rezoning. The District contends that these demands are adequately accounted for in their current Urban Water Management Plan.

5.8 The District’s Urban Water Management Plan does not forecast additional demands from new housing laws that allow for the development of Accessory Dwelling Units (ADUs), residential lot splits, and development of small multifamily projects in areas that were exclusively zoned for single-family residential development. The District notes very little development of ADUs and believes that any additional potential demand pressure is offset by recent long-lasting conservation measures including home water efficiency measures and conversion of landscaping to low-or zero-water use. The District further perceives a conversion of existing residences to second-home use, reducing water demands significantly from these properties.

5.9 The District has developed, with contracted technical support, a demand forecasting tool that can account for large development projects. The District should integrate known large-scale developments into future Urban Water Management Plans, as well as attempt to integrate more general trends such as ADU development into the plan.

Financial Ability of Agencies to Provide Services.

6.1 The total revenue for FY 2023-2024 is projected to be \$7.9 million, while total expenses are projected at \$6.03 million. Largest expenses are purchased water, 38%, salaries, 26%, and services and supplies, 19%. The remaining expenses include benefits, employer expenses, and board of director’s expenses.

6.2 Funding sources for the District include connection fees and water rates. Connection fees are highly variable and are only charged for new services. Because connection fees are so variable the fees are set aside for capital improvement projects. Water charges provide a steady source of revenue to balance

expenses. The District maintains a two-tier system to account for the cost of providing purchased water and groundwater.

6.3 Revenues exceeded expenses each year except in FY2019-2020. The shortfall was due to creating a second managerial position, so the Administration and Finance had separate managers. The shortfall was addressed through a transfer from reserves.

6.4 The Board has designated three reserve funds, the operations and maintenance reserve, rate stabilization reserve, and the Capital Improvement Program (CIP) reserve. The operations reserve is able to fund three average months of the annual operations and maintenance budget or \$1 million whichever is higher. The Rate Stabilization Reserve is designed to buffer revenue instability as a result of drought, natural disaster, or economic downturn. This reserve is funded at one month of water rate revenue but not more than \$500,000. The CIP reserve was established to fund the five-year CIP. The reserve is targeted as three percent of asset values or \$800,000. The District has a five-year CIP plan for approximately \$10 million in improvements, starting with \$3.4 million in FY 23-24.

6.5 The district has no outstanding debt obligations. The previous debt of \$382.498, due in 2027, was retired early in FY 2021-22. The net OPEB liability to the District, based on the 2020 audit, is \$382.498 in 2020. The total liability to the District based on the 2020 audit is \$5.2 million.

6.6 Rates generate approximately \$7 million annually which is sufficient to cover expenses.

Status of and Opportunities for Shared Facilities.

7.1 The District works with Sonoma Water and a number of other agencies to provide potable water to its customers. The District has participated with several agencies on plans to comply with SGMA to protect its groundwater resources.

7.2 The district exhibits management efficiencies through its planning activities. In addition to the Sonoma Valley GSP, the District adopted a new strategic plan in 2022 and a rate study. The District regularly updates its capital improvement plans and annually adopts a spending plan, the budget.

Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies.

8.1 VOMWD is governed by a five-member board of directors, elected to four-year staggered terms. Board members receive compensation of \$216 per meeting.

8.2 Board meetings are held monthly, generally on the first Wednesday at 6:30. The District posts a meeting schedule on its website. Meetings follow the Brown Act.

8.3 The District communicates with residents through mailed notices, its website, Nextdoor and social media.

11.2 – Sphere of Influence Factors

Present and planned land uses in the area, including agricultural and open space lands.

9.1 The properties proposed for inclusion in the District’s sphere of influence are primarily zoned for rural residential purposes and are not slated for additional development and are not expected to be re-zoned.

Present and probable need for public facilities and services

9.2 Both the Trinity Oaks and Flicker Hill Road parcels are appropriate additions to the sphere of influence for VOMWD. The Trinity Oaks area is experiencing declining groundwater availability; the Flicker Hill Road parcel experienced groundwater quality issues and has been approved for VOMWD service under an Outside Service Area Authorization.

Present capacity of public facilities and adequacy of public services provided by the agency.

9.3 The District has sufficient existing water supply capacity to serve existing customers within its service area as well as the projected needs of the properties recommended for inclusion in the District’s sphere of influence. The District may face significant demand growth from two large potential development projects in the near term however, and will have to re-evaluate water supply and demand projections accordingly.

Social or economic communities of interest.

9.4 There are no designated communities of interest proximate to the borders and sphere of influence of the District.

Present and probable need for services to disadvantaged communities.

9.5 Independent special districts are exempt from Disadvantaged Unincorporated Community annexation provisions. Additionally, there are no Identified Disadvantaged Unincorporated Communities proximate to the District’s borders or sphere of influence.

12: RECOMMENDATIONS

10.1 The District is in the process of refurbishing one of its wells and possibly drilling another. While not needed now the new wells can add to capacity toward the 20-year time horizon and if feasible should be completed.

13: REFERENCES

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