

Merquin County Water District

Minutes of the Regular Meeting
Of the Board of Directors
Wednesday, March 23, 2022

The Meeting of the Board of Directors of the Merquin Count Water District called to order in regular session at 19684 Second Ave., Stevinson, California at 6:00 p.m.

Present were, President Freddy Oliveira, Director Rosemary Ouse, Director Danny Drumonde, Director Phil Dores, Director Adam Azevedo.

Addition: Motion to add Additional Litigation Case to Closed Session

Moved by Director Adam Azevedo, seconded by Director Phil Dores to approve Additional Litigation Case to Closed Session.

Correction on paragraph 12 in Matters for the Good of the district deleting verbiage of grandfather, it was actually Bobby Kelley^{Senior} who made the contract with MCWD.

Motion Carried Unanimously

MOTION APPROVING MINUTES of March 8, 2022

Moved by Director Adam Azevedo, seconded by Director Phil Dores to approve the minutes of March 8, 2022

Motion Carried Unanimously

MOTION APPROVING LIST OF WARRANTS

Moved by Director Adam Azevedo, seconded by Director Phil Dores, approving the list of warrants \$10,553.54. President Oliviera asked what the invoice for Machado Backhoe install screw gate- Jimmy reported it was for the stop box on the Sprole.

Motion Carried Unanimously

MOTION APPROVING CHECKING ACCOUNT EXPENDITUES

None

MOTION APPROVING ENTITLEMENT LIST

Moved by Director Adam Azevedo, seconded by Director Phil Dores approving Entitlement List.

Motion Carried Unanimously

MOTION APPROVING QK Engineer to prepare budget (Assessment) report and boundary map for 2022-2023 report

Moved by Director Adam Azevedo, seconded by Director Phil Dores approving QK Engineer to prepare Assessment report and boundary map for 2022-2023 report

Motion Carried Unanimously

MOTION APPROVING FINANCIAL REPORT FOR FEBRUARY 2022

Moved by Director Adam Azevedo, seconded by Director Phil Dores approving Financial Report for February 2022

Motion Carried Unanimously

Correspondence:

None

District Engineer-Eric Swenson

1. Discussion/Action: 2022 Water Year Surface Water Availability

When does SWD get their full water allocation? In 1930 there is a court settlement between Stevinson Water District and Merced Irrigation District that states if there is 289,000 acre-feet in MID reservoirs or more on May 1 of any year then Stevinson Water District gets its full water allocation. On March 16, 2022 Exchequer had 295,000, McSwain approx. 9,700 and Lake Yosemite maybe 2,500 acre-feet which is 312,000 acre-feet. March 4, 2022, MID began taking water orders which caused concern the water lever may fall below the 289,000 acre-feet.

Hicham El Tal was in a meeting this past Monday with the District Engineer and he stated he is holding back the full allocation for SWD so MCWD will be receiving their full allocation.

MID voted on so far to deliver class I customers receiving 1.1 acre-foot per acre for \$100.00 acre-foot, and extra water being \$161.00 acre-foot. Hicham El Tal said they are moving as quickly as they can to an allocation for industry customers 1.1 acre-foot per acre per year of pumping. They are structuring it as each grower will get 3.3 acre-foot and the grower will manage how they use that water over the three-year period.

2. Discussion/Action: 2022 Modification to Priority Use Agreement

The District agrees to make a good faith effort to provide the Irrigator with well and surface water on the designated property in accordance with the Plan of Operation. Irrigator expressly acknowledges that total delivered irrigation water may be limited to less than required for Irrigator's crop. Irrigator should be prepared to provide alternative sources of water to ensure adequate water is available.

The District expressly disclaims any guarantee or representation that the identified pumps and wells will be operational during the entire irrigation season. Without limitation, the District shall have no liability to the Irrigator or anyone else should the pump or well fail during the irrigation season and the District is unable to furnish water to meet Irrigator's water requirements as set forth in Recital B above. The Irrigator agrees that the District is not required to take extraordinary or commercially unreasonable steps to repair or replace the pump or well. Irrigator has inspected the identified wells and agrees that the identified wells are currently in good working order and repair. Irrigator agrees to immediately notify the District's Water Distribution Operators should the Irrigator notice any problem with the identified in Recital B, above.

The District expressly disclaims any guarantee or representation regarding the water quality of the identified well(s). Irrigator agrees that it is the Irrigator's responsibility to

assure itself that the water from the identified well(s) is of sufficient water quality to irrigate the intended crop.

Note: It is likely that water quality will degrade as water season progresses. This will be especially true if growers with private pumps operate these pumps to make up for shortfalls of water from the District

The Board of Directors supported making these changes to the Priority Use Agreement.

3. Discussion/Action: Potential Limitations on Well Water Production during 2022 Water Season

GSA will begin May 1, 2022 completing approvals where people can put wells in and how much they can pump. Next GSA meeting the board will vote to adopt this new policy, the DRAFT policy is available on the GSA website.

4. Discussion/Action: Installation of Additional Wells for 2022 Water Year

The old policy limited replacement wells within a quarter mile from the old well site. The draft policy states water districts and mutual water companies can put replacement wells anywhere inside their boundaries.

The old verbiage for replacement wells read you could only put the replacement well in at the same capacity of the well being replaced and what it pumped the past three years. Eric Swenson still needs to submit revised language that water districts can pump in aggregate the same amount in previous three years. For critically dry years pumping would be the same as what was pumped in 2015.

The current ordinance is written stating no new lands can be irrigated by new wells. These rules are a transition issue until 2026, when allocations are established by the Merced Subbasin GSA. Which will most likely be enforced in the 2026 water year.

All wells in MCWD are all drilled above the Corcoran Clay. Water quality is generally better above the Corcoran Clay than below the Corcoran Clay. If there is a well drilled below the Corcoran Clay and you want to replace that well they will allow two wells to be drilled one above and one below the Corcoran Clay, but only one well can be in production at one time. Eric Swenson stated having records showing quantity of water used and when its used is becoming increasingly important.

The consultant for the GSA has stated they want monthly ground water and surface water reporting. If MCWD can record the totalizers monthly pumping from all the different wells individually at the same cycle as the PG&E bill, this will allow MCWD to actually see what the cost is per acre-foot to pump the water. SWD furnishes the MCWD with the total amount of water they have provided MCWD.

Eric asked of the water being pumped, how much of the water is being delivered? Jimmy had provided data which stated in 2021 the district pumped 7,144 acre-feet. Approximately a month ago Jamie had handed out a spreadsheet report that looked like 4,854 acre-feet of pumped water being billed. It should be a priority to find out what the differences are between the two numbers, hopefully it is not loss.

Eric Swenson will be working on completion of the Coelho well.

Director Azevedo questioned if when the district has to give up a well to get a new well can the well being given up be a private well? The answer was that it has to be a District Well.

5. Discussion: Groundwater Sustainability Agency Update

The GSA submitted the Groundwater Sustainability Plan to DWR, DWR took over a year to review. DWR did not reject it, but they did not accept it. Three areas are where DWR is requiring modifications: subsidence, private domestic wells, and DWR said the GSA wrote the GSP that the only time all the standards will apply is in non-critical water years. DWR said critical water years cannot be excluded. The board approved \$106,000 to rewrite the GSP and resubmit it within 180 days.

Land Repurposing program following of farmland will run to 2025 and possibly going further than that (2027). Eric reported the survey GSA did online they only received thirty-two responses, the survey was not sent to the general public, you had to go to the website. GSA staff members appear to support the idea of paying people to not farm.

MATTERS FOR THE GOOD OF THE DISTRICT

Dave Nervino pointed out the verbiage of grandfather should be removed from the Minutes of March 8, 2022, it was Bobby Kelley^{Senior} who made the contract with MCWD.

Dave also stated Modesto Properties is using our well, maybe we should approach them and see if we can purchase water from them, President Oliveira stated if they were selling water MCWD should be getting paid fifty percent of the water sales.

Director Azevedo stated SWD paid the Machado Backhoe bill that was a topic in the meeting of March 8, 2022.

Blake stated he attended a Technical Committee Meeting, they mentioned implementing verbiage condoning any application of ground water in correlation to exporting ground water. Brake inquired why they were mentioning exporting ground water, the response was they were adopting the verbiage that is in the Merced Application for wells. Eric Swenson said he attended the County Board of Supervisors meeting where they adopted this change to take affect May 1, 2022 asked them to take the outside of county export of authorization, they would remove it.

OFFICE/MAINTENANCE

Office

Jamie Sams not in attendance of the meeting

Maintenance

Jimmy reported Joe Silveira is busy he will meet with Jimmy in the following week to talk about Rick Jones well site #6. Running wells on the Gooseneck, Koch, Hotel, Sprole and Clark. There are two wells breaking session wellsite #7 and #11, as soon as wellsite #7 turns off it will be acid washed, he will need to order additional acid for wellsite #11. Wellsite #10 stopped pumping (Mark Green) property.

Larry Mattos asked if efficiencies testing is being ran on the wells? Jimmy stated they ran the tests about two years ago.

Dave Nervino asked if the district does not receive water from SWD on April 1, 2022 will the water rates to go \$32.50af or remain at \$50.00af. The board stated it has to go to \$32.50af.

MOTION TO ADJOURN TO CLOSED SESSION

Anticipated Litigation
California Government Code 54956.9(d)(4)
Initiation of Litigation- Three Potential Cases

Moved by Director Phil Dores, seconded by Director Adam Azevedo to Adjourn to Closed Session

Motion Carried Unanimously

MOTION TO RETURN TO OPEN SESSION

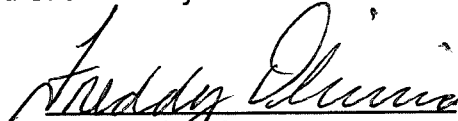
Moved by Director Adam Azevedo seconded by Director Danny Drumonde to adjourn.

Motion Carried Unanimously

MOTION TO ADJOURN

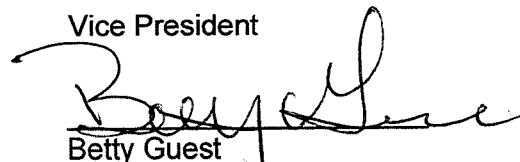
Moved by Director Adam Azevedo seconded by Director Danny Drumonde adjourn.

Motion Carried Unanimously


Freddy Oliveira
President

Adam Azevedo

Vice President


Betty Guest
Secretary



Merquin County Water District.
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*District Engineer's
Report
April 12, 2022*

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Critical Dry Year? 2022 Water Year

- May 1, 2022 – 289,000 AF in Exchequer, McSwain, and Lake Yosemite?
- April 10, 2022
 - Exchequer 354,209 AF (1,032,000 AF Capacity)
 - McSwain 9,700 AF
 - Lake Yosemite 6,000 AF (7,425 AF Capacity)
 - Total of above = 369,909 AF

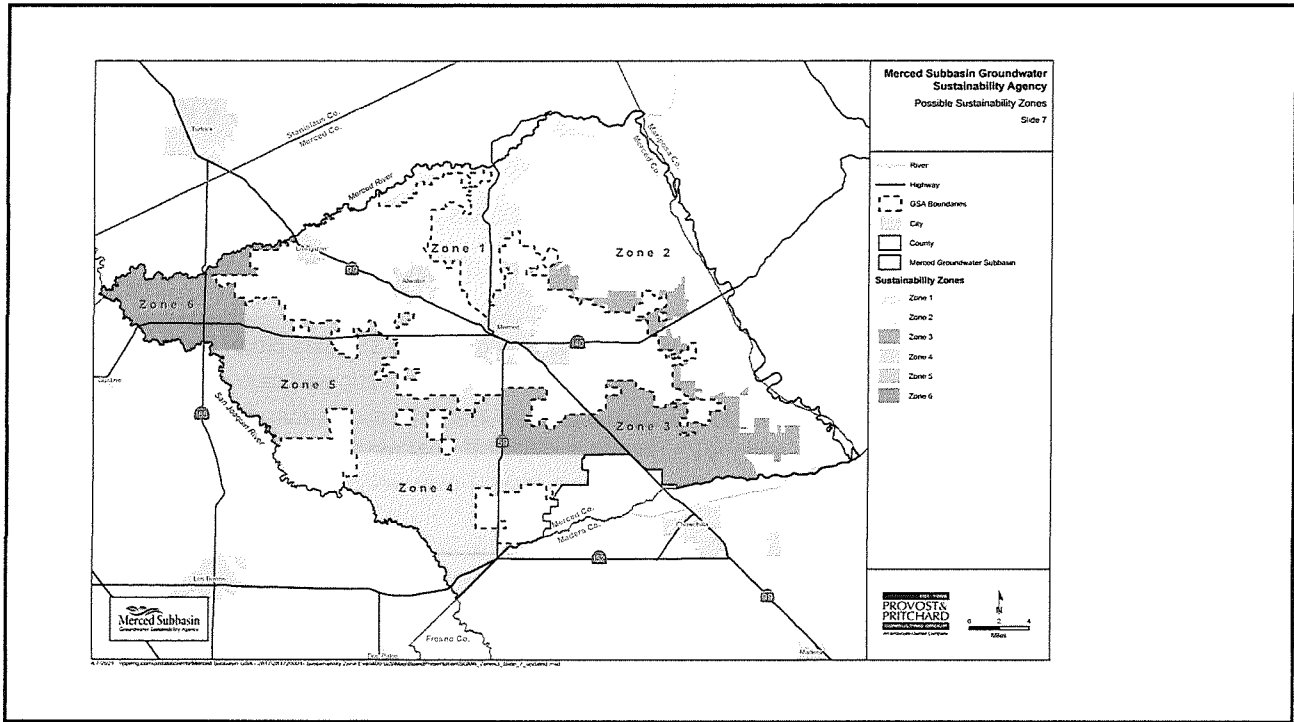
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Land Repurposing Program Duration and Ramp-up Options							
Option 1 - Maximum Participation in Year 1 and up to 5-year contracts through 2027							
	2022	2023	2024	2025	2026	2027	Total
County Tax Bill	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	n/a	n/a	\$15,000,000
Funds From County to GSA	n/a	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	n/a	
GSA Expenditure	n/a	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	
Fund Balance	n/a	\$ 750,000	\$ 1,500,000	\$ 2,250,000	\$ 3,000,000	\$ -	
Annual Fee (range): \$22.70 to \$23.00 per acre							
Option 2 - Ramp-up Participation to 2025 and up to 5-year contracts through 2027							
	2022	2023	2024	2025	2026	2027	Total
County Tax Bill	\$ 3,156,250	\$ 3,156,250	\$ 3,156,250	\$ 3,156,250	n/a	n/a	\$12,625,000
Funds From County to GSA	n/a	\$ 3,156,250	\$ 3,156,250	\$ 3,156,250	\$ 3,156,250	n/a	
GSA Expenditure	n/a	\$ 1,500,000	\$ 2,125,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	
Fund Balance	n/a	\$ 1,656,250	\$ 2,687,500	\$ 2,843,750	\$ 3,000,000	\$ -	
Annual Fee (range) \$19.10 to \$19.70 per acre							
Option 3 - Maximum Participation in Year 1 but no contract past 2025							
	2022	2023	2024	2025	2026	2027	Total
County Tax Bill	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	n/a	n/a	n/a	\$ 9,000,000
Funds From County to GSA	n/a	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	n/a	n/a	
GSA Expenditure	n/a	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	n/a	n/a	
Fund Balance	n/a	\$ -	\$ -	\$ -	n/a	n/a	
Annual Fee (range): \$13.60 to \$14.10 per acre							
Option 4 - Ramp-up Participation to 2025 but no contract past 2025							
	2022	2023	2024	2025	2026	2027	Total
County Tax Bill	\$ 2,208,333	\$ 2,208,333	\$ 2,208,333	n/a	n/a	n/a	\$ 6,625,000
Funds From County to GSA	n/a	\$ 2,208,333	\$ 2,208,333	\$ 2,208,333	n/a	n/a	
GSA Expenditure	n/a	\$ 1,500,000	\$ 2,125,000	\$ 3,000,000	n/a	n/a	
Fund Balance	n/a	\$ 708,333	\$ 791,667	\$ -	n/a	n/a	
Annual Fee (range) \$10.00 to \$10.40 per acre							

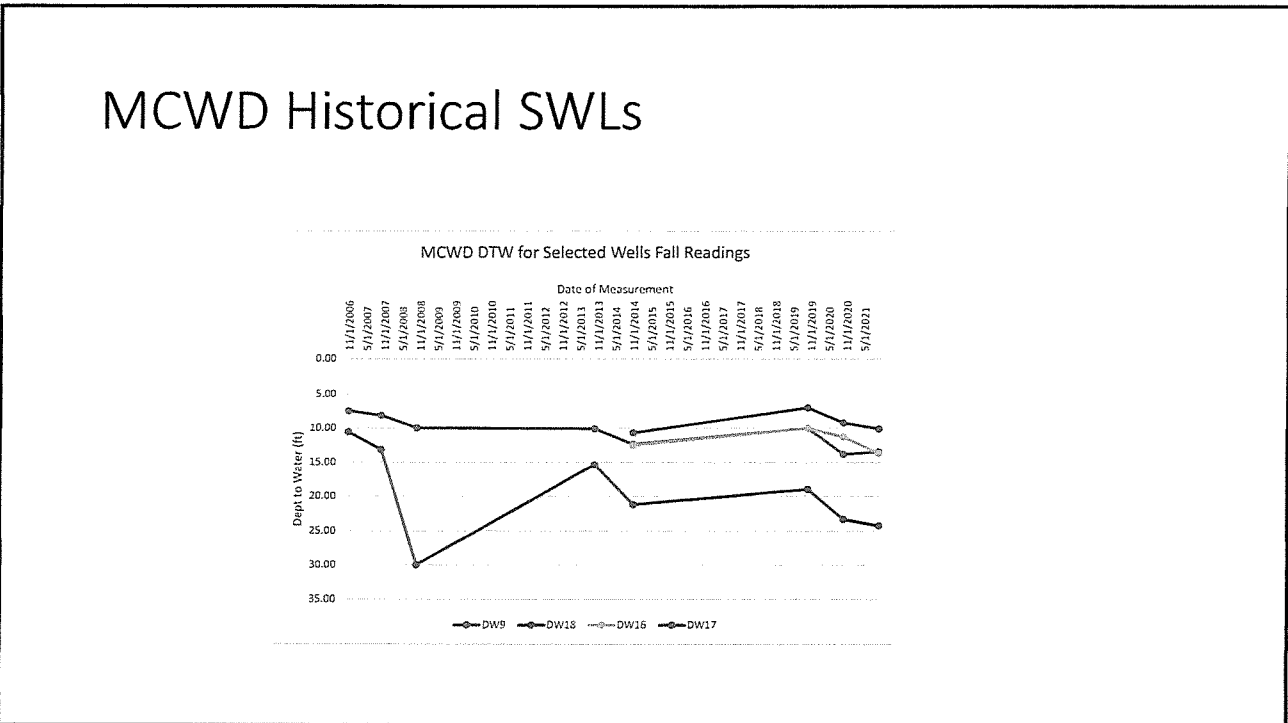
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- MCWD’s Engineer Recommendation on New Proposition 218 Fee:
 - Approve Option 4 – Ramp Up with Land Repurposing only paid for in water years 2023-2025. Per Acre Fee of \$10.00 to \$10.40.
 - Support fees for: Parcel Based Water Budgets, SWRCB Flood MAR Application, and GSA Staffing beginning in 2025.
 - Rational for recommendation:
 - Likely start of extraction fees in water year 2026
 - Likely start of extraction allocations in water year 2026.

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Backup Wells in Proposed GSA Well Consistency Policy

- The current public DRAFT of the MSGSA Well Consistency Policy would allow for MCWD to install Backup Wells.

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Recommended Appointments to MSGSA TAC:

- Mike Brasil
- Larry Mattis

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