



## STAFF REPORT

Agenda Item No. 6b	
MEETING DATE	February 3, 2025
MEETING BODY	Mendocino Local Agency Formation Commission
FROM	Uma Hinman, Executive Officer
SUBJECT	WORKSHOP Potter Valley Irrigation District Municipal Service Review and Sphere of Influence Update

### RECOMMENDED ACTION

The Commission hold a Workshop on the Draft Potter Valley Irrigation District Municipal Service Review and Sphere of Influence Update, provide comments and requested revisions, and direct staff to notice the matter for public hearing at a regular meeting of the Commission.

### BACKGROUND

This is a Workshop to introduce the Draft Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for Potter Valley Irrigation District (PVID/District). This is the second MSR and SOI Update for the District; the first round was adopted in [2013](#) and [2016](#), respectively. The Workshop Draft PVID MSR/SOI study includes the following information related to the District: history, government structure and accountability, operational efficiency, finances, projected growth, disadvantaged unincorporated communities, service capacity and needs, and proposed sphere. The District reviewed and provided feedback on an Administrative Draft of the study and changes have been incorporated into this Workshop Draft as appropriate.

As background, the District was formed on April 1, 1924, to provide irrigation water to the Potter Valley area, a farming community located north of State Highway 20, approximately 19 miles northeast of Ukiah. The District is a single-service provider. The District encompasses 6,966 acres and serves approximately 275 agricultural customers.

The District relies on PG&E's Potter Valley Project (PVP) facilities for water diversion from the Main Stem Eel River to supply up to 19,000 acre-feet of water throughout the year. The PVP diversion depends on storage and release of Eel River water from Scott Dam (Lake Pillsbury) and Cape Horn Dam (Van Arsdale), which is diverted at Van Arsdale through the mountains in an 8-foot diameter tunnel into the East Branch Russian River watershed at the north end of Potter Valley. The District's system of canals and pipes distributes the diverted water to its customers, releasing any unused portions into the Russian River, which enters Lake Mendocino approximately nine miles downstream. Other municipal service providers in the area include the Potter Valley Community Services District that provides fire protection services to the area; domestic water and wastewater is by private wells and septic systems.

In 2022, PG&E filed a notice to surrender the PVP with the licensing entity, the Federal Energy Regulatory Commission (FERC); planning for the decommissioning of the project and transition of facilities is well underway. Decommissioning of the PVP will likely include removal of Scott Dam and removal or alteration of Cape Horn Dam, the primary storage facilities on the Eel River that are critical components of the diversion. Along with regional partners, the District has been actively engaged in the process to ensure the continued supply of diverted water.

Further, the District is actively planning for alternative water storage options necessary to operate in a post-PVP scenario.

In 2016, the Commission adopted an SOI roughly following the footprint of the valley. District staff indicate the service area of the District remains appropriate for the services provided and system capacity. The study recommends the District's existing SOI be affirmed.

This Workshop is an opportunity to receive Commission and public input on the document; no action will be taken on the study on this date. A public hearing will be scheduled at a later date for formal consideration of the study.

#### **ATTACHMENTS**

- (1) Workshop Draft Potter Valley Irrigation District MSR/SOI Study

# Workshop Draft



## Potter Valley Irrigation District

*Municipal Service Review and  
Sphere of Influence Update*

Prepared By/For:

**Mendocino LAFCo**

200 South School Street

Ukiah, California 95482

<http://www.mendolafco.org/>

Workshop: February 3, 2025

Public Hearing: XXX

Adopted: XXX

LAFCo Resolution No: XXX

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Workshop Draft

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## ACRONYMS

ADU	Accessory Dwelling Unit
AB	Assembly Bill
ACS	American Community Survey
ADU	Accessory Dwelling Unit
AOI	Area of Interest
BOS	Board of Supervisors
CalPERS	California Public Employees Retirement System
CDP	Census Designated Place
cfs	cubic feet per second
CEQA	California Environmental Quality Act
CIP	Capital Improvement Plan
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
COLA	Cost of Living Allowance
CPI	Consumer Price Index
CSD	Community Services District
DAC	Disadvantaged Community
DFW	Department of Fish and Wildlife
DWR	Department of Water Resources
DOF	Department of Finance
DUC	Disadvantaged Unincorporated Community
DWR	Department of Water Resources
EBRR	East Branch of the Russian River
ERPA	Eel Russian Project Authority
ESA	Endangered Species Act
FERC	Federal Energy Regulation Commission
FY	Fiscal Year
GC	Government Code
GHG	Greenhouse gas
GPD	Gallons per day
ILDIP	Irrigated Lands Discharge Program
JPA	Joint Powers Authority
KVA	kilovolt-ampere
LAFCo	Local Agency Formation Commission
MCIWPC	Mendocino County Inland Water and Power Commission
MCRRFCWCID	Mendocino County Russian River Flood Control and Water Conservation Improvement District
MG	Million gallons
MGD	Million gallons per day
MHI	Median Household Income
MOU	Memorandum of Understanding
MPO	Metropolitan Planning Organization
MSR	Municipal Service Review
NOAA	National Oceanic and Atmospheric Administration
PG&E	Pacific Gas & Electric
PVID	Potter Valley Irrigation District
PVP	Potter Valley Project



RHNA	Regional Housing Needs Allocation
RTP	Regional Transportation Plan
RVCWD	Redwood Valley County Water District
RWQCB	Regional Water Quality Control Board
SB	Senate Bill
SDUC	Severely Disadvantaged Unincorporated Community
SDRMA	Special District Risk Management Association
SOI	Sphere of Influence
SWRCB	State Water Resources Control Board

Workshop Draft

# 1 INTRODUCTION

## 1.1 Local Agency Formation Commission

The Local Agency Formation Commission (LAFCo) is a quasi-legislative, independent local agency established by State legislation in 1963 to oversee the logical and orderly formation and development of local government agencies including cities and special districts. There is one LAFCo for each county in California.

LAFCo is responsible for implementing the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH) under California Government Code (GC) Section (§) 56000 et. seq. with goals to promote orderly growth, prevent urban sprawl, preserve agricultural and open space lands, and oversee efficient provision of municipal services.

LAFCo has the authority to establish and reorganize cities and special districts, change their boundaries and authorized services, allow the extension of public services, perform municipal service reviews, and establish spheres of influence. Some of LAFCo's duties include regulating boundary changes through annexations or detachments and forming, consolidating, or dissolving local agencies.

## 1.2 Mendocino LAFCo

The CKH Act provides for flexibility in addressing State regulations to allow for adaptation to local needs. Each LAFCo works to implement the CKH Act to meet local needs through the flexibility allowed in how state regulations are implemented through establishment of local policies to address the unique conditions of the county. Accordingly, Mendocino LAFCo has adopted policies, procedures, and principles that guide its operations. These policies and procedures can be found on Mendocino LAFCo's website<sup>1</sup>.

Mendocino LAFCo has a public Commission with seven regular Commissioners and four alternate Commissioners. The Commission is composed of two members of the Mendocino County Board of Supervisors, two City Council members, two Special District Board of Directors members, and one Public Member-At-Large. The Commission also includes one alternate member for each represented category. Table 1-1 below lists the current Commissioners, the category they represent, if they are an alternate, and the date their term expires.

**Table 1-1: Current Mendocino LAFCo Commissioners, 2025**

<b>Commissioner Name</b>	<b>Position</b>	<b>Representative Agency</b>	<b>Term Expires</b>
Gerardo Gonzalez	Commissioner	City	2026
Candace Horsley	Commissioner	Special Districts	2026
Madeline Cline	Commissioner	County	2028
Maureen Mulheren	Chair	County	2026
Mari Rodin	Commissioner	City	2025
Gerald Ward	Vice-Chair/Treasurer	Public	2026
Susan Mahoney	Commissioner	Special Districts	2028
Douglas Crane	Alternate	City	2025
John Haschak	Alternate	County	2027
Raghda Zacharia	Alternate	Public	2027
Vacant	Alternate	Special District	2026

<sup>1</sup>Mendocino LAFCo Policies and Procedures Manual: <http://www.mendolafco.org/policies.html>.

### 1.3 Municipal Service Review

The CKH Act requires each LAFCo to prepare a Municipal Service Review (MSR) for its cities and special districts. MSRs are required prior to and in conjunction with the update of a Sphere of Influence (SOI)<sup>2</sup>. This review is intended to provide Mendocino LAFCo with the necessary and relevant information related to the services provided by Potter Valley Irrigation District (PVID/District).

An MSR is a comprehensive analysis of the services provided by a local government agency to evaluate the capabilities of that agency to meet the public service needs of their current and future service area. An MSR must address the following seven factors:

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, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

Municipal Service Reviews include written statements or determinations with respect to each of the seven mandated areas of evaluation enumerated above. These determinations provide the basis for LAFCo to consider the appropriateness of a service provider's existing and future service area boundary. This MSR Update studies the irrigation water services provided by PVID. This review also provides technical and administrative information to support Mendocino LAFCo's evaluation of the existing boundary for PVID.

With this MSR, Mendocino LAFCo can make informed decisions based on the best available data for the service provider and area. Written determinations (similar to 'findings'), as required by law, are presented in Chapter 3. LAFCo is the sole authority regarding approval or modification of any determinations, policies, boundaries, spheres of influence, reorganizations, and provision of services.

Ideally, an MSR will support LAFCo's directives and deliberations and will also provide the following benefits to the subject agencies:

- Provide a broad overview of agency operations including type and extent of services provided;
- Serve as a prerequisite for an SOI Update;
- Evaluate governance options and financial information;
- Identify areas within the factors noted above that may benefit from improvement;
- Demonstrate accountability and transparency to LAFCo and to the public; and
- Allow agencies to compare their operations and services with other similar agencies.

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<sup>2</sup> Assembly Committee on Local Government, "Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2020." December 2023.

## 1.4 Sphere of Influence

The CKH Act requires LAFCo to adopt a Sphere of Influence (SOI) for all local agencies within its jurisdiction. An SOI is “a plan for the probable physical boundary and service area of a local agency or municipality as determined by the Commission” (GC §56076)<sup>3</sup>.

When reviewing an SOI for a municipal service provider, under GC §56425(e)<sup>4</sup>, LAFCo will consider the following five factors:

1. The present and planned land uses in the area, including agricultural and open space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to GC §56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Sphere of Influence studies include written statements or determinations with respect to each of the five mandated areas of evaluation enumerated above. These determinations provide the basis for LAFCo to consider the appropriateness of establishing or modifying a service provider’s SOI or probable future boundary.

## 1.5 Additional Local Policies

### 1.5.1 Mendocino County General Plan

The Mendocino County General Plan was originally adopted in November 1985 and last updated in November of 2021. Chapter 6 of the General Plan provides policies specific to several community areas in Mendocino County, including Potter Valley. The policies and goals relevant to Potter Valley are listed below:

#### *Potter Valley Community Goals*

- Goal CP-PV-1: Expand economic opportunities in Potter Valley consistent with desired rural character of the valley.
- Goal CP-PV-2: Recreate the sense of community that has been eroded with the loss of jobs and lack of affordable housing opportunities in Potter Valley.
- Goal CP-PV-3: Maintain compact development patterns by focusing commercial, residential and community uses within the established community area.

<sup>3</sup>GC §56076 text can be found here: <https://law.justia.com/codes/california/2022/code-gov/title-5/division-3/part-1/chapter-2/section-56076/>

<sup>4</sup>GC §56425-56434 text can be found here: <https://law.justia.com/codes/california/2010/gov/56425-56434.html>

### Potter Valley Community Area Policies

- Policy CP-PV-1: The County shall encourage mixed-use, commercial and public uses to locate within the Potter Valley community core area.
- Policy CP-PV-2: The County encourages mixed-use and infill development in the core area.
- Policy CP-PV-3: The County shall discourage subdivision activity in the outlying Rural and Remote Residential lands, including transitions to Rangelands and Forestlands.
- Policy CP-PV-4: Higher density residential uses, including affordable housing units, are encouraged in the commercial center as part of a mixed-use strategy.
- Policy CP-PV-5: The County supports the creation of economic opportunity, places and facilities that support a sense of community in Potter Valley.
  - Action Item CP-PV-5.1: The County shall create a strategy to revitalize and expand economic opportunity in Potter Valley, including evaluation of commercial expansion and consolidation on Main Street.
- Policy CP-PV-6: Planned land uses in Potter Valley should accommodate expansion of commercial, light industrial and resource uses to meet the needs of local residents and businesses.
- Policy CP-PV-7: The County supports the expansion and diversification of agricultural operations, including orchards, grazing lands and vineyards.
  - Action Item CP-PV-7.1: The County shall actively pursue light industrial and manufacturing employers for locations on the periphery of the town center, near convenient access and services.
  - Action Item CP-PV-7.2: Investigate the placement of a community signboard along State Route 20 at Potter Valley Road advertising services and special events in Potter Valley. If determined to be warranted, install the signboard.
  - Action Item CP-PV-7.3: Install gateway landscaping as an indication of entry into the town from the south at the intersection of Main Street and Eel River Road.
- Policy CP-PV-8: The County supports improved accessibility to and from State Route 20 by upgrading and maintaining Potter Valley Road.
- Policy CP-PV-9: The County encourages the Potter Valley Community Services District to pursue the provision or management of water and/or wastewater treatment services.
  - Action Item CP-PV-9.1: The County will assist the community in efforts to provide water and wastewater treatment services to support future growth consistent with the land use patterns and densities established in the General Plan.
  - Action Item CP-PV-9.2: Pursue efforts to redevelop the old bridge on the north end of Main Street, including efforts to maintain its historical character.)
  - Action Item CP-PV-9.3: Investigate undergrounding power lines on the south side of Main Street, and replacing the lights currently on the poles with attractive, unobtrusive street lights that reflect the cultural heritage of the community.

These goals and policies help guide land use decisions in the Potter Valley region.(County of Mendocino General Plan, 2009)

### 1.6 Senate Bill 215

Senate Bill (SB) 215 (Wiggins) requires LAFCo to consider regional transportation plans and sustainable community strategies developed pursuant to SB 375 before making boundary decisions. Senate Bill 375 (Sustainable Communities and Climate Protection Act) requires each Metropolitan Planning Organization (MPO) to address regional greenhouse gas (GHG) emission reduction targets for passenger vehicles in

their Regional Transportation Plan (RTP) by integrating planning for transportation, land use, and housing in a sustainable communities strategy.

Mendocino County is not located within an MPO boundary and therefore is not subject to the provisions of SB 375. However, the Mendocino Council of Governments (MCOG) supports and coordinates the local planning efforts of Mendocino County and the Cities of Fort Bragg, Point Arena, Ukiah, and Willits to address regional housing and transportation needs and helps provide a framework for sustainable regional growth patterns through the 2018 Mendocino County Regional Housing Needs Allocation (RNHA) Plan and Vision Mendocino 2030 Blueprint Plan. MCOG is also responsible for allocating regional transportation funding to transportation improvement projects consistent with the 2017 RTP for Mendocino County.

Mendocino County and the cities of Fort Bragg, Point Arena, Ukiah, and Willits are the local agencies primarily responsible for planning regional growth patterns through adoption and implementation of general plan and zoning regulations. While Mendocino County is not subject to the provisions of SB 375, LAFCo will review applicable regional transportation and growth plans when considering a change of organization or reorganization application.

Figure 1-1: Regional Location

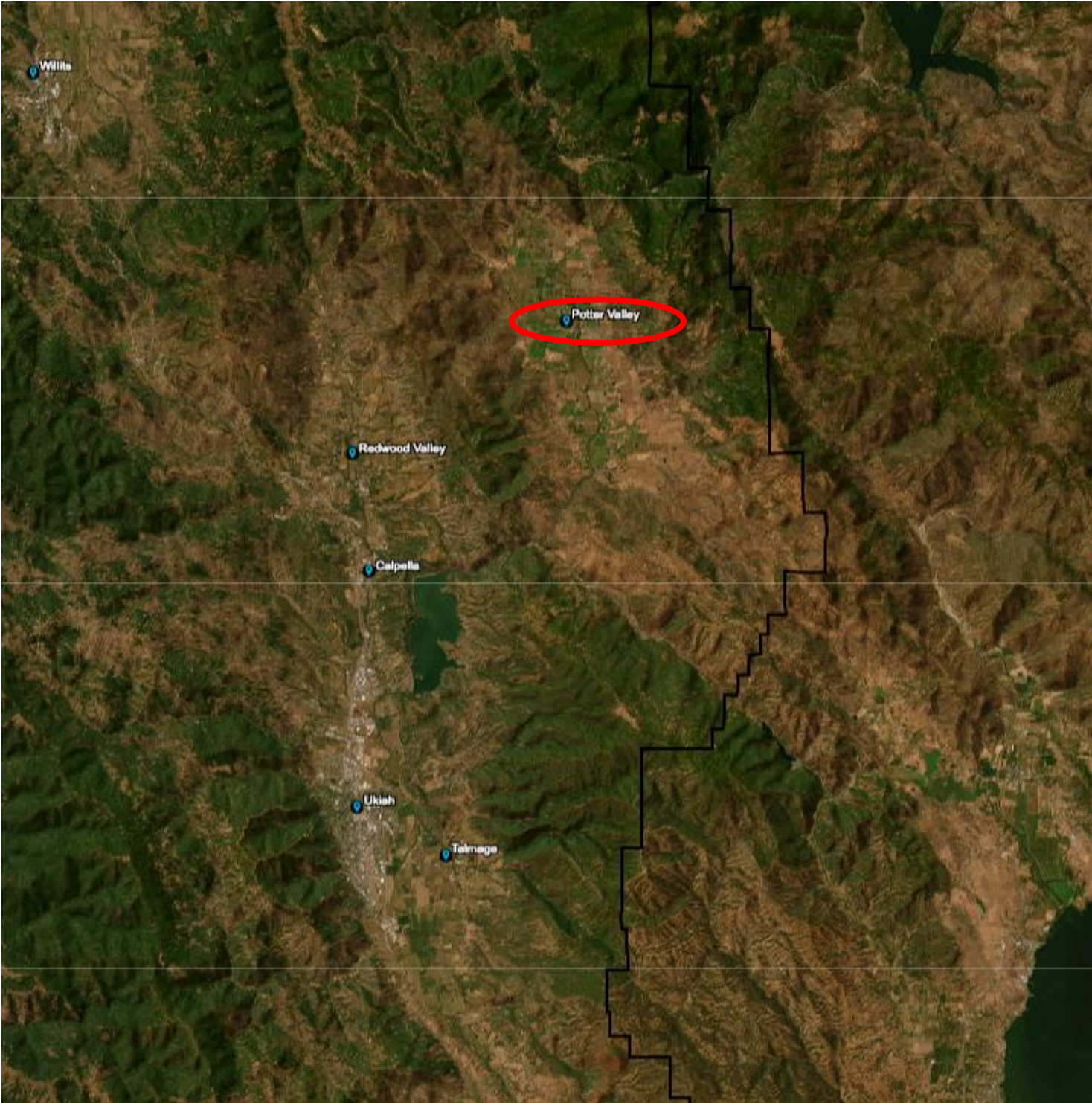


Figure 1-2: Potter Valley Irrigation District Boundary

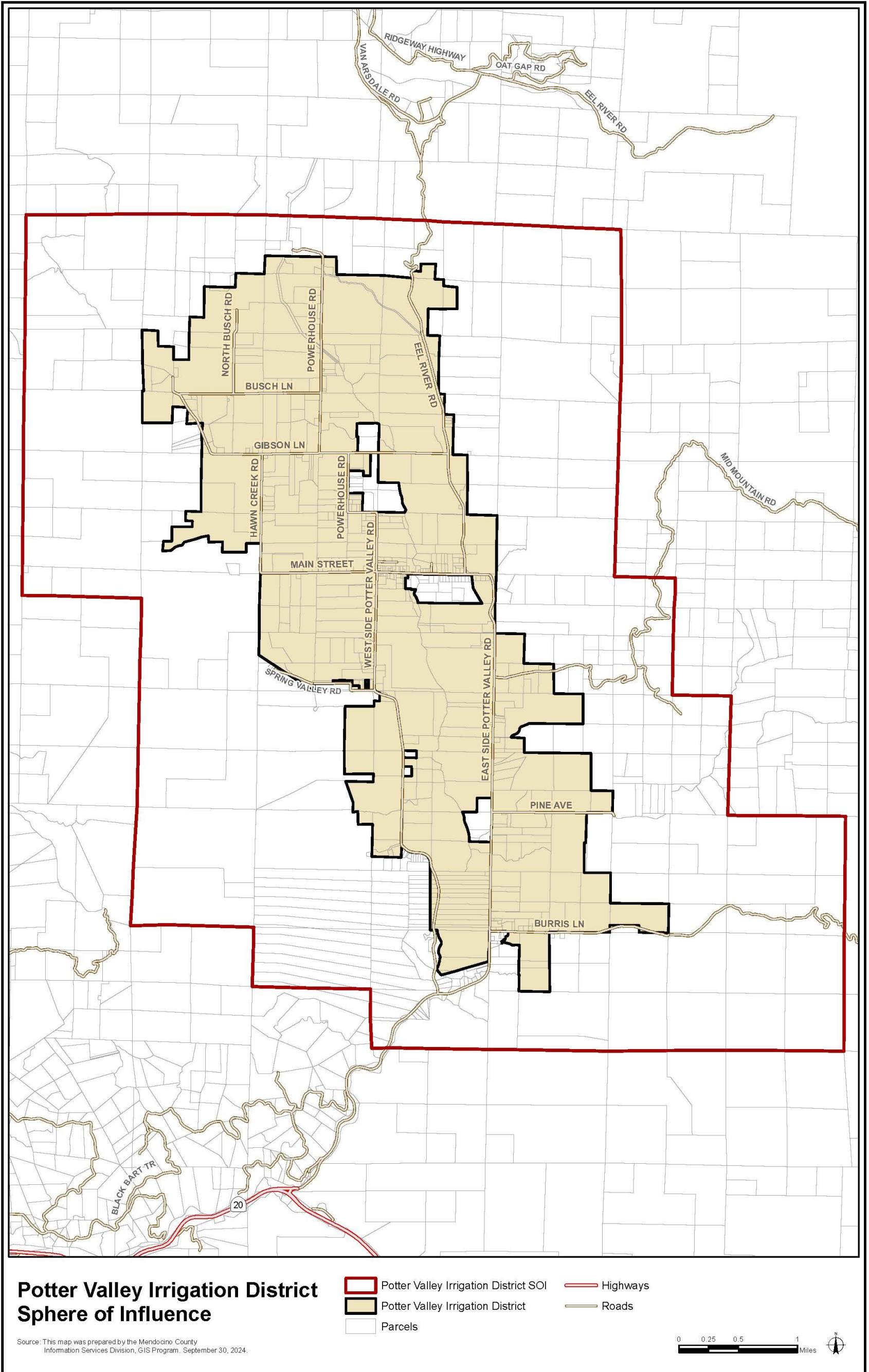
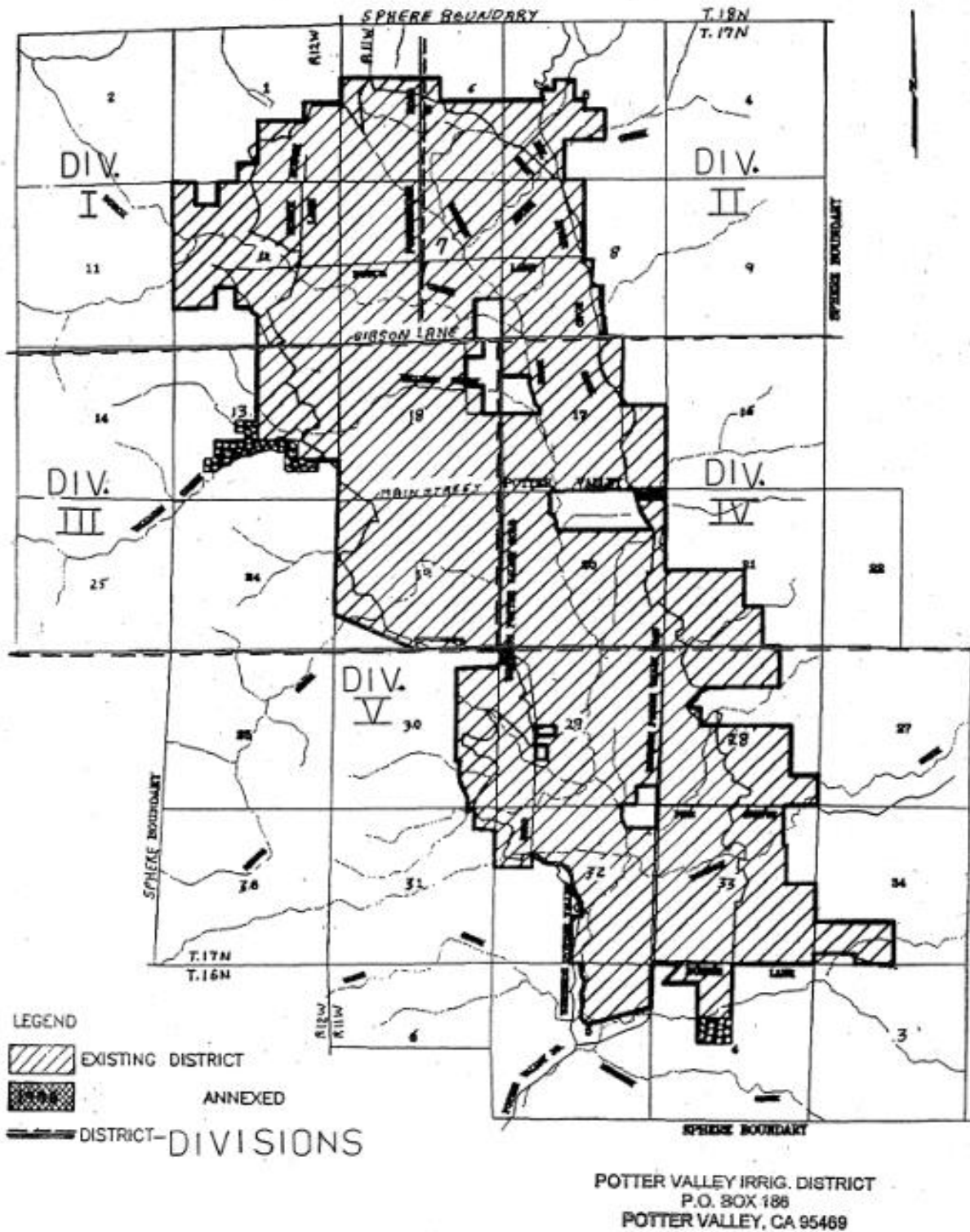




Figure 1-3: PVID Division Boundaries



## 2 AGENCY OVERVIEW

Table 2-1:PVID Profile	
<b>Agency Name:</b>	Potter Valley Irrigation District
<b>General Manager</b>	Donald Brown, Superintendent
<b>Office Location:</b>	10170 Main Street Potter Valley, CA 95469
<b>Mailing Address:</b>	P.O. Box 186, 10170 Main Street Potter Valley, CA 95469
<b>Phone Number:</b>	(707) 743-1109
<b>Website:</b>	<a href="https://www.pottervalleywater.org/index.html">https://www.pottervalleywater.org/index.html</a>
<b>Email:</b>	pvid@pottervalleywater.org
<b>Date of Formation:</b>	April 1,1924
<b>Agency Type:</b>	Irrigation District, Single-Service Provider
<b>Enabling Legislation</b>	California Water Code Section 20500 (Irrigation Districts)
<b>Board Meeting Schedule:</b>	Third Wednesday of each month at 7:00PM

### 2.1 History

#### 2.1.1 Formation

In 1921 and 1923 two petitions to create an irrigation district serving the Potter Valley region were reviewed by the Mendocino County Board of Supervisors. The first petition was defeated because some residents of Potter Valley did not want to be included in an irrigation district. The second petition was accepted after the residents, who so desired, were excluded from the original list of properties to be included in the new irrigation district. (PVID, 2024)

The Potter Valley Irrigation District was subsequently formed on April 1, 1924 by the Board of Supervisors under Section 20500 of the Water Code that relates to irrigation districts for the purpose of providing irrigation water to support agriculture in Potter Valley. The first formal meeting of the PVID and election of directors was held on April 22, 1924.

#### 2.1.2 Boundary

The District encompasses the census-designated place (CDP) of Potter Valley located in central unincorporated Mendocino County which is located approximately 18 miles northeast of the City of Ukiah. The District’s service area extends beyond the Potter Valley CDP further into unincorporated Mendocino County in each direction and covers approximately 6,966 acres of agricultural lands. See Figure 1-1 and Figure 1-2.

#### 2.1.3 Services

The PVID utilizes raw water diverted from the Eel River through the Potter Valley Project to provide irrigation water to its approximately 275 agricultural customers.

##### 2.1.3.1 LATENT POWERS

Latent powers are those services, functions or powers authorized by the principal act under which the District is formed, but that are not being exercised and have not been authorized by LAFCo.

The California Water Code, Irrigation Districts ([Water Code §20500](#)) identifies the following potential powers:

- a) Water
- b) Watermaster Service
- c) Drainage
- d) Electric Power
- e) Pension and Retirement Systems
- f) Flood Control
- g) Sewage Disposal
- h) Recreational Facilities

The PVID is a single-service provider delivering raw irrigation water services only and no other latent powers are authorized under its principal act (Section 20500 of the Water Code, Irrigation Districts) (California Legislative Information, 2024). There are no overlapping or duplicating services of wholesale irrigation water suppliers within the District boundary.

## 2.2 [Government Structure](#)

### 2.2.1 **Governing Body**

The District is governed by a five-member Board of Directors elected at-large by registered voters within the District’s five divisions. The five divisions of the PVID are mapped in Figure 1-3 and were established at the District’s formation.

Each director, except as otherwise noted, must be a registered voter and landowner within the district, and a resident of the division that he or she represents at the time of nomination or appointment and throughout their term.

If there are insufficient candidates for the election of Board vacancies, or if the number of filed candidates is equal to the number of board vacancies, then District board members may be appointed by the County Board of Supervisors (BOS) per [Water Code §21265-21285](#). If the BOS has failed to fill a vacancy within 60 days of its occurrence, a special election may be called by the board of directors and held in the division affected. The candidate elected through special election shall fill the unexpired term of the vacating director. The current directors, positions, and terms are shown in Table 2-2.

The District Board of Trustees elect officers annually at the January regular meeting to serve the following year. New directors take office at noon on the first Friday in December following their election. Officers include a President, Vice President, Treasurer/Secretary, Assessor/Collector, Safety Officer, and the Chair of Mendocino County Inland Water and Power Commission (MCIWPC) and Eel Russian Project Authority (ERPA). Board Trustees do not receive compensation for their service.

<b>Name</b>	<b>Office/Position</b>	<b>First Year of Service</b>	<b>Term Expiration</b>
Eugene McFadden	Director/Safety Officer	1990	2028
Ken Stroh	Director/President	1986	2026
Janet Pauli	Director/Vice President	1989	2028
Jim McMenomey	Director	2004	2028
Mac Magruder	Director	2006	2026

There are currently no vacancies on the Board and all five of the Board members have served the District for multiple terms, which can be a significant benefit in establishing long-standing positive working relationships in the community, understanding the history and unique aspects of the organization, and maintaining institutional knowledge.

### **2.2.2 Public Meetings**

Regular Board meetings are held on the third Wednesday of each month at 7pm at the district office at 10170 Main Street, Potter Valley, CA 95469, with some exceptions for holidays.

In accordance with the Brown Act, all District Board meetings are open to the public and are notices are publicly posted at Hoppers Corner Store, outside the District office front door, and on the District's website a minimum of 72 hours prior to regular meetings, or a minimum of 24 hours prior to special meetings.

Public comments are accepted at each meeting. Meeting summaries are maintained for all board meetings and are adopted by the board at a subsequent meeting.

Regular board meetings, records, annual budgets and financial audits are kept current and maintained by the Board Secretary. Public meeting information, including past agendas, reports, resolutions, and approved meeting minutes are available on the District's [website](#) and upon request via email from the District.

### **2.2.3 Standing Committee**

Committees assist in carrying out various functions of local government to support and implement Board direction. The District board currently has one standing committee, the Safety Committee.

### **2.2.4 Public Outreach**

With the passage of Senate Bill (SB) 929 in 2018, all special districts are required to establish and maintain a website with specific information and accessibility requirements by January 2020 (a compliance handout is included in Appendix A– Open Government Resources. SB 929 does allow for a special district to exempt themselves from the website requirements by adoption of a board resolution declaring a financial hardship exists that prevents the district from establishing or maintaining a website.

The District maintains a website with the assistance of a contracted consultant, which contains documents such as current and past agendas and meeting minutes, notices, pertinent reports and news updates, water rates, and financial information (<https://www.pottervalleywater.org/>). The District also provides informational updates and announcements on their website, as needed, and keeps residents informed of District requirements and activities through word-of-mouth and during public meetings.

### **2.2.5 Complaints**

As stated in the District's Bylaws under Rule No. 10A, all complaints of any kind must be made in writing and either filed with staff at the District office or sent to the District by mail, addressed to the Superintendent, and within five days of the time the act causing complaint has occurred. (PVID, 2024)

No complaints have been received by the District within the last five years. (RFI PVID, 2025)

### 2.2.6 Transparency and Accountability

The PVID Bylaws were approved in 1978 and last amended in 2022. The Bylaws serve as the legal guidelines of the District and consist of written rules that define the District’s official mission and outlines the responsibilities of the District and board.

The board operates with a separate written set of policies and procedures covering board membership, officer’s titles and responsibilities, how offices are to be assigned, how meetings should be conducted, and financial matters.

The Political Reform Act requires all state and local government agencies to adopt and promulgate a Conflict-of-Interest Code pursuant to [GC §87300 et seq](#)<sup>5</sup>. The District’s bylaws include some specific policies related to governing and financial matters. Additionally, Resolution No. R-5 adopted in July of 1982 includes Policies 1020.1 and 1020.2 which specifically address conflicts of interest. (RFI PVID, 2025)

The Political Reform Act also requires persons who hold office to disclose their investments, interests in real property, and incomes by filing a Statement of Economic Interests (Fair Political Practices Commission Form 700) each year according to [GC §87200](#)<sup>6</sup>. Under GC §87200, members of special districts are listed as “other public officials who manage public investments”. In accordance with District Policies 1020.1 and 1020.2, Form 700 has been filed by all elected District members, including the Superintendent and District legal counsel, with the Mendocino County Clerk’s Office for the year 2024.

According to Assembly Bill (AB) 1234, if a local agency provides compensation or reimbursement of expenses to local government officials, then all local officials are required to receive two hours of training on public service ethics laws and principles at least once every two years and establish a written policy on reimbursements pursuant to [GC §53235](#)<sup>7</sup>. The District’s board members are not compensated.

Refer to Appendix A– *Open Government Resources* for a brief list of educational resources regarding open government laws and Appendix B – *Website Compliance Handout*.

## 2.3 Operational Efficiency

### 2.3.1 Management and Staffing

The PVID has five full-time and seven part-time employees. Full-time employees include the Superintendent who is responsible for answering to the Board for all District actions, managing the day-to-day affairs of the District, including implementing and enforcing all District policies, procedures and District Bylaws, and serving as the District Human Resource Officer. Other full-time staff include a Secretary/Treasurer who acts as the Chief Financial Officer, an Assessor-Collector who is responsible for standby assessments and collections, and an Operations and Maintenance Supervisor.

Part-time employees include an administrative assistant who works year round, as well seasonally hired part-time employees to operate and maintain the District’s irrigation distribution system. All employees are given an annual review to track their performance, which is administered by either the supervising staff member or the Board of Directors. (RFI PVID, 2025)

<sup>5</sup> California GC §87300 et seq can be found here: [Codes Display Text \(ca.gov\)](#).

<sup>6</sup> California GC §87200 can be found here: [Codes Display Text \(ca.gov\)](#).

<sup>7</sup> California GC §53235 can be found here: [California Code, GOV 53235](#).

PVID noted as part of this MSR process that while the number of District staff members is currently adequate to run the operations and maintenance of the District, staff is stretched thin and additional staff is needed.

### 2.3.2 Contract or JPA Services

The District has historically relied on a long-standing contract with PG&E for water from the Potter Valley Project (PVP), which diverts Eel River water into the Russian River watershed. However, the contract is currently being reevaluated pending the imminent surrender and decommissioning of the PVP, as described in Section 3.1.2.1 and Section 3.1.2.2.

Additionally, the PVID contracts with a consultant for maintenance of the District's website and other consultants for financial audits and special studies.

### 2.3.3 Agency Performance

A component of monitoring agency performance is routinely evaluating staff productivity. The District conducts an annual performance evaluation for both part time and full time employees. (RFI, 2024)

The District also monitors and evaluates agency operations through regulatory reporting and review of District databases and records.

#### 2.3.3.1 CHALLENGES

There is significant uncertainty associated with the future of the PVP. With the proposed removal of Scott Dam on the Eel River, which is likely with the decommissioning of the PVP, the resulting "run-of-river" operations for any future diversions from the Eel River to the Russian River will require new storage to manage supplies for year-round use in Potter Valley. The District is evaluating whether aquifer storage and recovery and on-farm recharge of the underlying Potter Valley aquifer system, as well as new surface storage (e.g., off-stream dam and storage reservoir or storage ponds) are feasible alone, or in combination, to store seasonal run-of-river diversions for PVID. Given the uncertainty of which approach(es) will be adopted, consideration of potential future water storage and supply options are being considered. (McMillen Jacobs Associates, 2021), pg. 61)

#### 2.3.3.2 STRATEGIC OR SUCCESSION PLAN

The District does not currently have an established strategic plan, but has a mission statement which acts as the District's guiding principle. While the District is not legally obligated to maintain these types of documents and/or plans, doing so helps to clarify goals and some sense of security when it comes to the future of the District.

In lieu of these planning documents, the Board reviews progress and setbacks over the prior year during the annual budget development process.

More recently, in response to the imminent surrender and decommissioning of the PVP, the District is working with various groups to plan for the future of the District's diversion infrastructure, storage options, and the ability to serve existing customers in the immediate future.

### 2.3.4 Regional and Service Specific Collaboration

The District regularly works closely with other regional organizations such as the Mendocino County Inland Water and Power Commission (MCIWPC). The MCIWPC is a joint powers agency (JPA) that includes Mendocino County, the City of Ukiah, PVID, Mendocino County Russian River Flood Control and Water Conservation Improvement District (MCRRFCWCID), and Redwood Valley County Water District (RVCWD). The agency was formed in 1996 to protect and procure adequate water supplies for its members relying upon the Russian River watershed and including the diversion from the Eel River.

Most recently, in December of 2023, in response to PG&E's abandonment of the PVP, the Eel Russian Project Authority (ERPA) JPA was formed by a joint exercise of powers agreement between the County of Sonoma, Sonoma Water Agency (Sonoma Water), and the MCIWPC. ERPA has the authority to negotiate with PG&E as the entity moves ahead with the imminent surrender and decommissioning of the PVP. The ERPA also has the legal capacity to own, construct and operate a new water diversion facility near the Cape Horn Dam. (Eel Russian Project Authority, 2024)

### 2.3.5 Shared Services and Facilities

#### 2.3.5.1 ADJACENT PROVIDERS

Due to its geographical isolation, there are no other public or private irrigation water service providers located adjacent to the District. The nearest irrigation water provider in the region is the MCRRFCWCID, located approximately 19 miles southeast of the District in the Ukiah Valley and Redwood Valley region.

All residential properties within the District boundary rely on private on-site wells for drinking water and septic systems for wastewater needs. Fire protection for properties within PVID is provided by the Potter Valley Volunteer Fire Department, which is governed by the Potter Valley Community Services District<sup>8</sup>.

The District routinely coordinates with the Potter Valley Community Services District as well as the Potter Valley Fire Department during emergencies (RFI PVID, 2025).

Additionally, a current member of the PVID Board sits on the ERPA Board and facilitates sharing of information and concerns on behalf of the District.

#### 2.3.5.2 DUPLICATION OF SERVICES

There are no overlapping or duplicating services of wholesale water suppliers within the District boundary or nearby.

#### 2.3.5.3 INTERAGENCY COLLABORATION

The PVID works with the Department of Fish and Wildlife (DFW) on Russian River frost water regulations and supports the quagga and zebra mussel monitoring program<sup>9</sup>. Quagga and zebra mussels are recent invaders to California lakes and waterways. The mussels are internationally recognized invasive pests that have caused significant impacts to water delivery systems, fisheries, and ecosystems, with control costing millions of dollars annually in many states and countries.

<sup>8</sup> Source is the 2018 Mendocino LAFCo Multi-District Fire Protection Services SOI found here:

<https://www.mendolafco.org/files/01d2409c9/Multi-District+Fire+SOI+Update+Adopted+FINAL.pdf>

<sup>9</sup> Department of Fish and Wildlife Quagga and Zebra Mussels information page:

<https://wildlife.ca.gov/Conservation/Invasives/Quagga-Mussels>.

The PVID works with the North Coast Regional Water Quality Control Board (RWQCB) Irrigated Lands Discharge Program (ILDP). The goal of the Irrigated Lands Discharge Program is to set water quality goals for receiving waters in the region and to recommend farm water quality management goals.

The PVID also works with a number of private environmental groups such as the Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council), the Eel River Recovery Project, and the Eel River Task Force. The Stewardship Council is a private, nonprofit foundation that was established in 2004 as part of a PG&E settlement. Its goals are to ensure that over 140,000 acres of PG&E watershed lands are conserved for the public good through a Land Conservation Program and to invest in outdoor programs that serve California's young people through its Youth Investment Program. The PVID is also active in the Land Conservation Program, which includes lands within the Upper Main Stem Eel River Watershed.

The Eel River Recovery Project addresses water conservation, nutrient pollution, and ecosystem recovery. This project is operating under the umbrella of the Trees Foundation and has an Advisory Group consisting of members of communities, Tribes, and government agencies from throughout the Eel River Basin. The PVID co-sponsors an annual Eel River cleanup event with the Eel River Recovery Project that encourages the public to participate in trash cleanup along the River and highways. Volunteers collect trash on 26 miles of county roads and 12 miles of river during the annual event.

## 2.3.6 Government Structure and Community Needs

### 2.3.6.1 ENHANCED SERVICE DELIVERY OPTIONS

The District is the only wholesale irrigation water supplier within the District boundary and Potter Valley area. The PVID provides raw water direct to individuals for irrigation use within its boundaries and Place of Use via water contracts.

LAFCo staff recognizes that the current main priority for the District is to ensure as seamless a transition as possible from the current PVP facilities to future District storage infrastructure and facilities that will be necessitated by the decommissioning of the PVP. During this uncertainty, organizational or operational efficiencies may become evident as the transition unfolds; however, none were identified during development of this study.

### 2.3.6.2 GOVERNMENT RESTRUCTURE OPTIONS

Government restructure options should be pursued if there are potential benefits in terms of reduced costs, greater efficiency, better accountability or representation, or other advantages to the public.

As stated above, during the transitory phase of operations in a post-PVP situation, the District may be in a position to identify and implement changes as future strategies and plans solidify.

## 2.4 Finances

LAFCo is required to make determinations regarding the financial ability of the PVID to provide its services. This section provides an overview of the financial health of the District and a context for LAFCo's financial determinations. This MSR relies on audited financial statements for Fiscal Years (FYs) 2021, 2022 and 2023, and the budget for FY 2024 as the primary sources of information for this section.



The PVID’s budget operates on a calendar-year basis. The District operates out of a single enterprise fund for operational and maintenance purposes. The District’s sole fund is considered a proprietary fund, which is accounted for using the “economic resources” measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. All other revenues are reported as non-operating revenues. Operating expenses are those expenses essential to the primary operations of the fund and all other expenses are reported as non-operating expenses.

The following table provides year-end (not budget) financial information for the District. Table 2-3 summarizes the Statement of Revenues, Expenses, and Changes in Fund Net Position prepared by Robert Johnson Accounting, CPA. The Superintendent and Secretary/Treasurer of the District were integral parties to the preparation of the audits (RFI PVID, 2025). The financial information in the table below represents the short-term financial standing of the District based on reporting annual income, expenses, and profits/losses using the accrual basis of accounting, which is an accounting method where revenue or expenses are recorded when a transaction occurs rather than when payment is received or made.

	<b>FY 21 (\$)</b>	<b>FY 22 (\$)</b>	<b>FY 23 (\$)</b>
<b>Operating Revenue</b>			
Water service charges	145,147	231,614	187,570
Standby charges	55,791	55,793	55,788
Other	1,552	801	3,181
<b>Total Operating Revenue</b>	<b>202,490</b>	<b>288,208</b>	<b>246,539</b>
<b>Operating Expenses</b>			
Source of supply	73,650	123,078	130,858
Transmission and distribution	322,146	383,245	423,385
Administrative	79,668	80,810	89,931
Depreciation	75,419	76,871	78,709
<b>Total Operating Expenses</b>	<b>550,883</b>	<b>664,004</b>	<b>722,883</b>
<b>Operating Income/(Loss)</b>	<b>(348,393)</b>	<b>(375,796)</b>	<b>(476,344)</b>
<b>Non-Operating Revenue (Expenses)</b>			
Property Tax Revenue	398,365	463,901	481,711
Interest Income	1,235	160	148
Unrealized investment income	-	5,621	14,483
Unrealized investment loss	(1,947)	(15,040)	(2,052)
Licensing costs	(50,000)	(50,000)	(50,000)
Loss on asset disposal	-	(19,858)	-
<b>Total Non-Operating Revenue (Expenses)</b>	<b>347,653</b>	<b>384,784</b>	<b>444,290</b>
<b>Net Income (Loss)</b>	<b>(740)</b>	<b>8,988</b>	<b>(32,054)</b>
Beginning Net Position	1,624,085	1,623,345	1,632,333
Ending Net Position	1,623,345	1,632,333	1,600,279

Source: (Robert Johnson CPA)

**2.4.1.1 REVENUE AND EXPENDITURES**

The PVID is funded primarily by property taxes, which accounts for approximately 70 percent of revenues. The District’s remaining funding is a combination of water service charges and standby charges.

Expenditures have steadily increased since FY 2021 by approximately 21% in FY 2022 and another 9% in FY 2023. The top expenditure for the District is transmission and distribution, which is tied to the cost of selling irrigation water, followed by administrative and depreciation costs. PVID revenues fluctuate based on the season, weather, and the dates the season starts and ends. The District’s budget is a reflection of the increase in the cost of goods including capital improvement costs and employee wages, which are increased annually with the COLA (RFI PVID, 2025).

The District’s cash accounts are summarized below in Table 2-4.

Type	FY 21 (\$)	FY 22 (\$)	FY 23 (\$)
Cash and Cash Equivalents – Beginning of Year	607,886	431,592	589,504
Cash and Cash Equivalents – Ending of Year	431,592	589,504	614,597

The District maintains healthy cash accounts, which fluctuates relative to sales that are based on the season, weather, and the dates the season starts and ends. The year 2021 was a severe drought year that required the District to ration water for the first time since its inception, resulting in less revenue and greater impacts to cash accounts (RFI PVID, 2025).

**2.4.1.2 ASSETS AND LIABILITIES**

The largest asset for the District is infrastructure for which depreciation costs have been accounted for in the expense section. The District does not have any debts and its liabilities are limited to accounts payable.

The work in progress line-item accounts for the construction projects that were started in one year and not completed by the financial close of that year and thus were not capitalized. These amounts are carried over to the following year until the project is completed and capitalized (RFI PVID, 2025)

	FY 21 (\$)	FY 22 (\$)	FY 23 (\$)
<b>Current Assets</b>			
Cash and Cash Equivalents	156,349	323,755	336,417
Investments	275,243	265,749	278,180
Accounts Receivable	56,988	118,228	84,478
<b>Total Current Assets</b>	<b>213,147</b>	<b>707,732</b>	<b>699,075</b>
<b>Capital Assets</b>			
At Cost	2,095,049	2,066,090	2,139,137
Lesser Cost, With Accumulated Depreciation	(1,162,349)	(1,167,370)	(1,220,160)
<b>Total Capital Assets</b>	<b>932,700</b>	<b>898,720</b>	<b>918,977</b>
<b>Work In Progress</b>			
<b>Total Work in Progress</b>	<b>2,011</b>	<b>45,464</b>	<b>1,964</b>

	<b>FY 21 (\$)</b>	<b>FY 22 (\$)</b>	<b>FY 23 (\$)</b>
<b>Total Assets</b>	<b>1,636,438</b>	<b>1,651,916</b>	<b>1,620,016</b>
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	2,867	4,312	2,744
Accrued Vacation	10,226	15,721	16,993
<b>Total Current Liabilities</b>	<b>13,093</b>	<b>19,581</b>	<b>19,737</b>

**2.4.1.3 NET POSITION**

As shown below in Table 2-6, the district is currently operating at a net positive and has been able to do so consecutively thanks in part to its cash accounts and investments that have been diligently contributed to over the years.

	<b>FY 21 (\$)</b>	<b>FY 22 (\$)</b>	<b>FY 23 (\$)</b>
Investment in Capital Assets	934,711	944,184	920,941
Unrestricted	688,634	688,149	679,338
Restricted	-	-	-
<b>Total</b>	<b>1,636,438</b>	<b>1,651,916</b>	<b>1,620,016</b>

**2.4.2 Long Term Financial Considerations**

**2.4.2.1 RESERVES**

The District maintains an established reserve fund to allocate for specific maintenance and construction projects. The District’s reserve fund policy was adopted by Resolution No. 2004-4 in May 2004. The policy allocates restricted funds to be invested by the Board to be used as reserve funds for capital improvements, unexpected legal contingencies, emergency infrastructure damage, and/or equipment replacement. As of December 2024, reserve funds totaled \$291,690. (RFI PVID, 2025)

**2.4.2.2 OUTSTANDING DEBT/COST AVOIDANCE**

The District currently has no outstanding debt, and works to maintain and control budget expenditures through discussion at its monthly Board meetings.

**2.4.2.3 RATE RESTRUCTURING**

PVID historically purchased water from PG&E at a rate that was renegotiated every five years. However, PVID negotiated an amendment to the PG&E water purchase contract in October 2014 that established an escalation clause to take effect in May of 2025. As of December 2024, this escalation clause is being rewritten to accommodate for the lag time in the publishing the Mendocino County Agriculture Crop Report that forms the basis of the agreement. Crop-specific watering schedule and needs are considered in the rate structure and include a negotiated escalation provision over three years based on the current Consumer Price Index (CPI) and the crop report from 2021. The crop reports for 2022, 2023, and 2024 have not yet been published, however they will identify the three highest valued crops grown in Potter Valley (currently grapes, irrigated pasture hay, and cattle) and subsequently help determine the terms of the new water purchase contract. (RFI PVID, 2025)

Once amended, the contract and its rates will run for three-year terms and the escalation clause will again reestablish the District's cost per acre-foot (AF) of water until the PVP is decommissioned and the FERC license is officially abandoned.

The current water purchase contract stipulates that PVID pays \$20.00 per AF; District customers pay \$22.50 per AF of water used. Additionally, District customers are charged standby fees that are assessed annually on a per acre basis of the irrigated lands within the PVID boundaries at a rate of \$8.50 per acre, levied in two installments.

Rates and fees are reviewed during the annual budget development process and adjustments are adopted during a public meeting of the board, when necessary, to support the on-going delivery of services. Customers receive annual bills on December 1 with payment due on December 15.

As rates have increased over time it has encouraged conservation and system improvements from both the District and its customers.

Proposition 218 was approved by California voters in November 1996 to ensure that the setting of all taxes and most charges to property owners be transparent and subject to voter approval. In addition, Proposition 218 seeks to curb some perceived abuses in the use of assessments and property-related fees, specifically the use of these revenue-raising tools to pay for general governmental services rather than property-related services (LAO, 1996).

Prop 218 requires local governments to ensure that property-related fees comply with the measure's calculation requirements. Specifically, local governments must make sure that no property owner's fee is greater than the proportionate cost to provide the subject service to his or her parcel. Like assessments, this requirement may result in local governments setting property-related fee rates on a block-by-block, or parcel-by-parcel basis (LAO, 1996). Only the District's standby fees fall under Prop 218. Standby charges are assessed annually in January.

#### 2.4.2.4 CAPITAL IMPROVEMENT PLAN

The PVID maintains 5- and 10-year capital improvement plans (CIP) with the most recent plan adopted for the 2024 year. Most of the projects are construction and maintenance projects to keep the canals and irrigation works in good working order and to repair leaks. The District maintains an active list of current, future, and pending construction projects, and identified the following infrastructure improvement projects for the 2024 year:

- Gate #45 Replacement (Completed)
- Install Two Manhole access points and vacuum sediment out of the river diversion meter section
- Gate #35 Replacement (Completed)
- Lateral #50-2 Main St. Crossing Replacement
- Lateral #18-1-5 Powerhouse Road Crossing Replacement (Completed)
- Lateral #44 Hawn Creek Road Crossing Replacement
- Slide Gate & Cover Replacement to Include Drains (Completed)
- Replace East Main Canal Property Access pipe below Gate #59 42" diameter x 40'
- Lateral #17-4 to #17-6, the last 1040', 18" diameter PVC Pipeline Installation
- Delivery Gate #60-2 Reconstruction (Completed)
- Lateral #57-2 East Road crossing Pipe Replace

- Lateral #52-2 Pipe Emergency Replacement (Complete)

The approved construction project list for 2024 totaled \$73,941, six of the identified CIP projects were completed, totaling \$43,110.

The following were identified as future projects:

- Eddie Ranch (Katie Delbar) Install 460' of 36" diameter ADS pipe gate #79 A Joint Project.
- Review the need for Pipeline Project & Cost Estimate Gate #68 south through Gett's & Merino property.

The following were identified as pending projects:

- Replace the east pump system with a direct river diversion system.
- 48" diameter Pipeline Humeny & Todd Gate #D-4 to #12, 1,600 ft. + Elbows
- Replace the 38 feet of 24" diameter steel discharge pipe and coupler on the west pump. Replace the 24-inch Calco 101 screw gate.
- Electric fence project, (Guntly #1 and #2) between main gates #75 and #81. This will help control livestock damage to the main canal in this area.
- H&W Leak Pipeline Gate 200', 42" ADS Joint Project 2021
- Additional East Main Canal Property Access pipes Gate #27-1 and #27-2 as previously approved.

Given the decommissioning of the PVP and uncertainty of the District's future infrastructure, it is anticipated that these projects will be completed before the decommissioning is fully resolved. The District will continue to monitor progress on the CIP and will need to identify future infrastructure needs as post-PVP plans solidify.

Further, with the decommissioning of the PVP the District will be considering funding options for future water storage and infrastructure upgrades. Understandably, the District's CIP may change substantially in as plans solidify in the coming years.

## 2.5 Growth

### 2.5.1 Present and Planned Land Use and Development

The PVID is contained entirely within the Potter Valley Census Designated Place (CDP), which extends beyond the District's boundary into the unincorporated area of Mendocino County. There are no incorporated cities within the District. Mendocino County has land use authority over unincorporated lands and land use decisions are governed by the County's General Plan and Zoning Regulations. Any proposed changes to the land use or development patterns within the District must be approved by the County and may require an amendment to the General Plan and/or Zoning Ordinance.

#### 2.5.1.1 LAND USE

The District provides raw water for irrigation purposes to approximately 6,966.1 square miles of land within the County. The Potter Valley community planning area lies north of State Route 20 and is accessed via Potter Valley Road. The East Fork of the Russian River bisects the valley. A downtown area located along Main Street includes commercial operations, a school, post office, health clinic, and other uses. The remainder of the valley is mainly agricultural, with grazing lands, vineyards and orchards covering most of the valley floor. Residential ranchettes of 5 to 10 acre lots are situated in and around these farm sites, and the valley floor rapidly transitions to upland forests and rural grazing lands. (County of Mendocino General Plan, 2009)

Specific land uses within the District include six designations: Agricultural (AG), Rangeland (RL), Suburban Residential (SR), Remote Residential (RMR), Rural Community (RC), and Public Facilities (PF) (Figure 2-1).

Table 2-7 below summarizes the parcel information within PVID’s service area boundary.

Table 2-7: PVID Parcel Information	
Statistic	Value
District Area	6,966.1 acres
Irrigated land	4602.42 acres
Non-Irrigated land <sup>1</sup>	935.19 acres
Landowners in District	256
Water Customer Accounts	275

<sup>1</sup> Includes land in District but not connected to PVID system, fallow land, and lands not being farmed.

**2.5.1.2 DEVELOPMENT**

Future growth and development within the District is subject to Mendocino County land use regulations. The County has adopted plans and policies to regulate growth, including a General Plan and a Zoning Ordinance. The County’s Zoning Ordinance contains three major geographical zones (Inland, Coastal, and Mendocino Town); the District area is included in the Inland Zone (Mendocino County Web Zoning Map, 2024).

As shown in Figure 2-2, the County’s Zoning Map shows that the 6,966 acres of land within the District boundary is primarily zoned Agricultural 40 (AG40), with the handful of non-agricultural use parcels concentrated in the center of the Potter Valley community. The few residential parcels are zoned Upland Residential (UR20/40) with 20- or 40-acre minimum lot sizes that are intended to create and enhance farming and low-density agricultural/residential uses. The UR zoning indicates areas not intended to be high growth and residences should create minimal impact on agricultural viability. The parcels zoned for Public Facilities (PF) are the location of the PVID main office, the US Postal Service, Potter Valley High School, and the Potter Valley Fire Department. The few commercial parcels within the district boundary are zoned for Suburban Residential (SR), Limited Commercial (C1), and General Commercial (C2), all of which are intended to create and enhance neighborhoods where a mixture of residential, public facilities and services and community oriented commercial uses are desired.

**2.5.2 Existing Population**

The District’s service area spans a wide area that is mostly agricultural lands and completely encompasses the Potter Valley CDP which has a population of 537 (Census Reporter, 2022). However, the PVID service area is much larger in area than the Potter Valley CDP. Analyzing the zip code that covers the District’s service area (95469) estimates a total population of 1,855 (Census, 2020).

**2.5.3 Projected Growth**

The anticipated growth of the District is limited to the development of mostly already built-out commercial and rural residential areas located in Potter Valley. A majority of the land within the district is agricultural in use, and therefore future development of this land is not anticipated.

The State Department of Finance (DOF) also projects that the population of Mendocino County will decline by a little more than 2.7 percent in the next 10 years, from 91,601 in 2023 to 89,091 in 2033, and 89,139

in 2043 (DOF, 2023). The overall projected decline throughout the County suggests that buildout of any undeveloped residential parcels will likely not occur until well beyond the planning horizon of this document (DOF, 2023).

However, in 1999 in response to an uncertainty in capacity, the District imposed a moratorium on annexation of any lands into the District, thus limiting new customers. This moratorium is memorialized as Rule No. 20A in the District's Bylaws, which originally ran through 2022 but remains in effect as of the writing of this study. The moratorium limits additional irrigated lands within the District.

Ever changing California housing laws could result in a slight increase in development and density within the District above what is discussed above, primarily related to Accessory Dwelling Units (ADUs) as discussed further in Appendix C – *Housing Legislation Trends and Results*.

Figure 2-1: Mendocino County General Plan Land Use Map

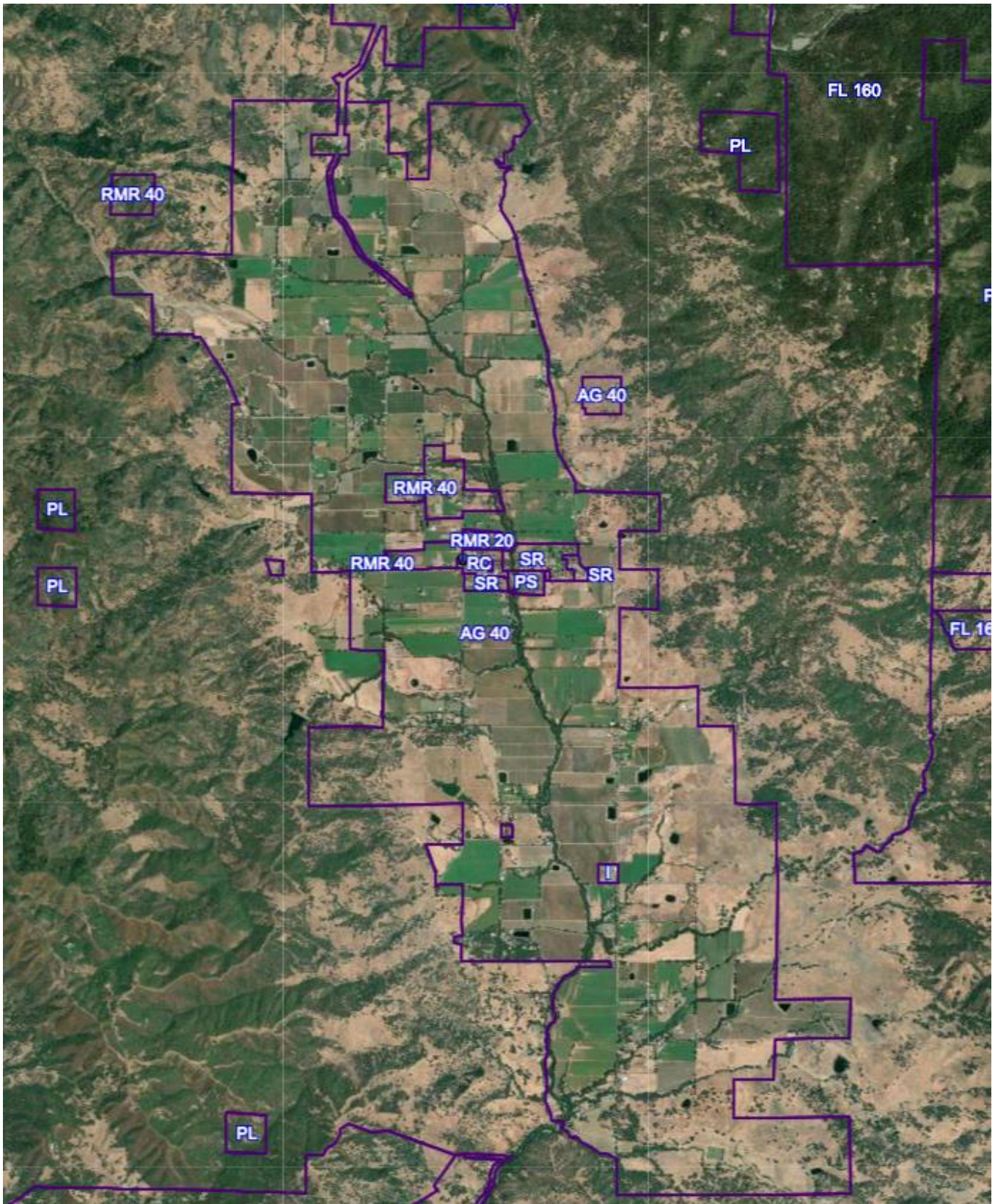
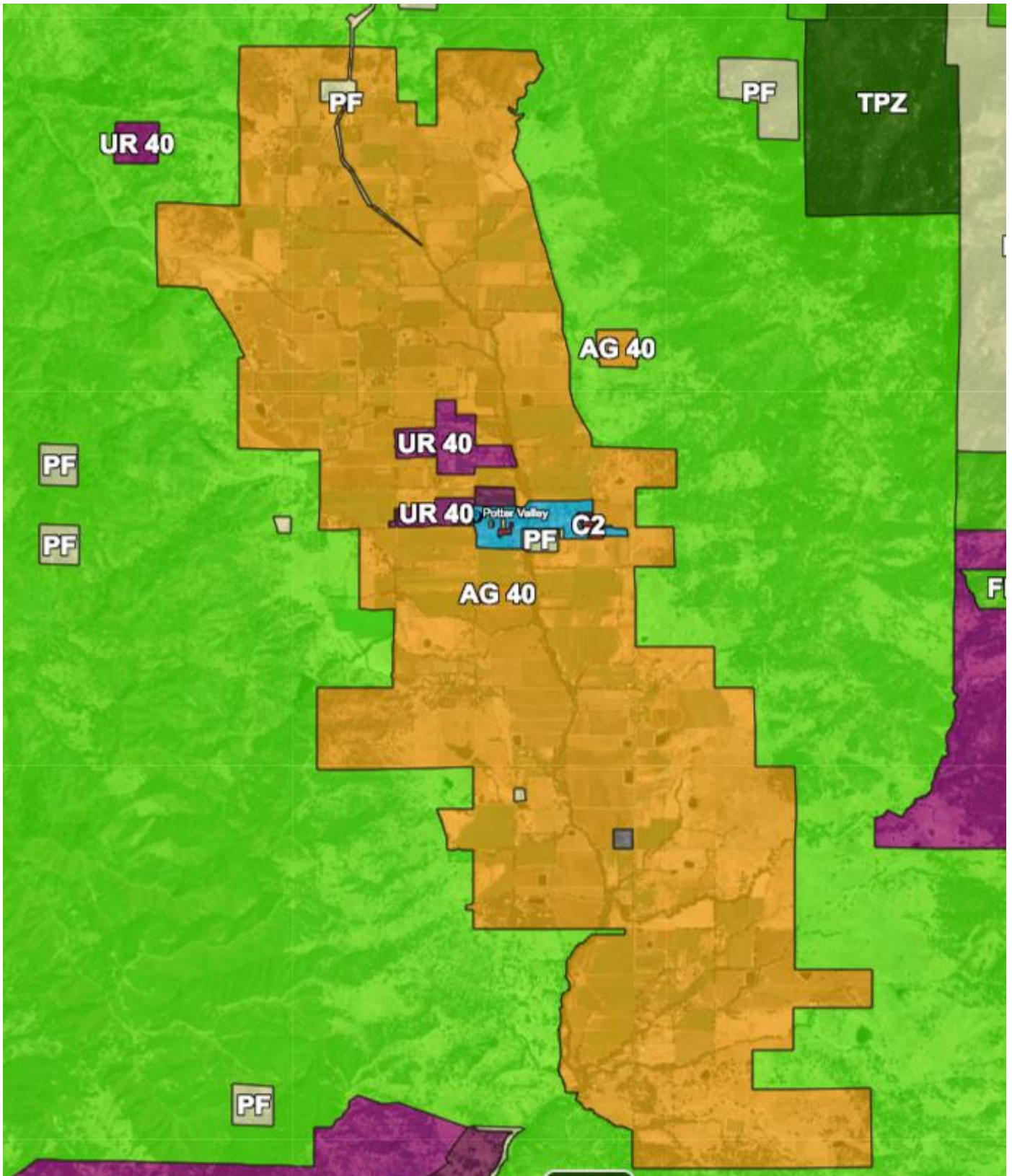




Figure 2-2: Mendocino County Zoning Map



## 2.6 Disadvantaged Unincorporated Communities

Senate Bill 244, which became effective in January 2012, requires LAFCo to evaluate any Disadvantaged Unincorporated Communities (DUCs), including the location and characteristics of any such communities, when preparing an MSR that addresses agencies that provide water, wastewater, or structural fire protection services<sup>10</sup>. A DUC is an unincorporated geographic area with 12 or more registered voters with a median household income (MHI) that is less than 80 percent of the State MHI. According to the US Census American Survey (ACS) 2023 1-year estimates, the statewide MHI for California was \$95,521 (US Census, 2023A). Thus, the MHI DUC threshold is \$76,416 and the threshold for severely disadvantaged unincorporated communities (SDUC) (less than 60 percent of the State MHI) is \$57,312.

DUCs are identified to address a myriad of issues from environmental justice to land use planning. Linking these disparate issues together, the sole statutory criterion for the determination of a DUC is MHI. The smallest geographic units for which MHI data is publicly available are census block groups. Outside of heavily urbanized areas, however, census block groups are geographically expansive. They often include both incorporated and unincorporated territory and do not necessarily coincide with typically understood community boundaries. Although a block group might be identified as having an MHI of less than 80 percent, various portions of that block group could be significantly wealthier in rural areas, or the block group could split into an otherwise contiguous community.

As a result, within rural areas, such as Mendocino County, assembling income data for specific unincorporated communities is not always straightforward. In Mendocino County, identifying and mapping DUC locations is a complex process because the delineation of DUC boundaries often differs from those common to the local agency and the public. Some entities, such as Sonoma County LAFCo and Stanislaus County, utilize Census Designated Place (CDP) communities to help provide usable geographies for DUC boundaries, but even then, mapping and data challenges persist. MHI ratios are subject to adjustment overtime and can result in a change to a community's disadvantaged status. Similarly, the number of registered voters can fluctuate during election years causing further variability. SB 244 describes the general characteristics of DUCs and provides the following criteria:

- Contains 10 or more dwelling units in close proximity to one another;
- Is either within a city SOI, is an island within a city boundary, or is geographically isolated and has existed for more than 50 years; and
- Has an MHI that is 80 percent or less than the statewide MHI
- This analysis is based on CALAFCO recommendations that calculated the "MHI Threshold" to be 80 percent of the statewide MHI (\$76,416) (The MHI for the State of California is \$95,521) (US Census, 2023A)
- Income data was sourced from the ACS 5-year Estimates dataset for 2018-2022 and the 2023 ACS 1-Year Estimates

This State legislation is intended to ensure that the needs of these communities are met when considering service extensions and/or annexations in unincorporated areas.

Mendocino County has an MHI of \$67,454 with a majority of the County considered DUCs, including both the census tract and zip code that the District is located within (US Census, 2023B). Because the District encompasses the whole Potter Valley CDP, the MHI of its residents is assumed to be the MHI of the CDP

<sup>10</sup> Technical advisory on SB 244 can be found here: [https://opr.ca.gov/docs/SB244\\_Technical\\_Advisory.pdf](https://opr.ca.gov/docs/SB244_Technical_Advisory.pdf)

which is of \$76,250(US Census, 2023C). The MHI for Potter Valley is just below the statewide MHI Threshold and is therefore also considered to be a DUC.

It is worth noting that the District spans across only one zip code, 95469, which has a population of 1,323 (622 households) and a MHI of \$61,500 (Census Reporter, 2023); and the census tract that the District is located within, Census Tract 108.02, has a population of 1,548 (697 households) and a MHI of \$57,163 (Census Reporter, 2023) By both of these measures the District would still be considered to be located within DUC territory.

The residents within Potter Valley receive adequate services with respect to fire, which is provided by Potter Valley Community Services District which serves as the umbrella agency for the Potter Valley Volunteer Fire Department <sup>11</sup>. There are no drinking water services provided in the region, properties within the District boundaries utilize well water. According to data sourced from the State Department of Water Resources (DWR), the District spans across approximately 24 Public Land Survey Sections, which are documented as having approximately 292 domestic wells<sup>12</sup>. With respect to wastewater, properties utilize onsite septic systems for their wastewater needs.

While the Potter Valley CDP qualifies as a DUC under this methodology, the community is currently receiving adequate essential municipal services of fire, water, and wastewater.

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<sup>11</sup> Source is the 2018 Mendocino LAFCo Multi-District Fire Protection Services SOI found here:

<https://www.mendolafco.org/files/01d2409c9/Multi-District+Fire+SOI+Update+Adopted+FINAL.pdf>

<sup>12</sup>Well Completion Report Map Application data can be found here:

<https://dwr.maps.arcgis.com/apps/webappviewer/index.html?id=181078580a214c0986e2da28f8623b37>

## 3 MUNICIPAL SERVICES

A Municipal Service Review (MSR) is a comprehensive analysis of the services provided by a local government agency to evaluate the capabilities of that agency to meet the public service needs of their current and future service area. The MSR determinations inform the Sphere of Influence (SOI) Update process and assist the Local Agency Formation Commission (LAFCo) in considering the appropriateness of a public service provider's existing and future service area boundary. The information and analysis presented in Chapters 2 and 3 of this document form the basis for the MSR determinations provided under Section 3.2.

### 3.1 Service Overview

This is the second MSR prepared for the District. In May 2013, the Commission adopted the [Ukiah Valley Special Districts MSR](#), which included the Potter Valley Irrigation District.

#### 3.1.1 System History

##### 3.1.1.1 POTTER VALLEY PROJECT

In 1905, Mr. W.W. Van Arsdale set out to create a reliable source of electrical power to Ukiah and the surrounding region that could be built at the north end of Potter Valley, powered by water that would be diverted from the Eel River. Named the Potter Valley Project (PVP), the Eel River Power and Irrigation Company proceeded to build a small dam on the Main Stem Eel River, Cape Horn Dam, a concrete gravity and earth filled structure, which impounded a small reservoir on the Eel River called Van Arsdale. This reservoir serves as the forebay for the diversion tunnel of the PVP. An 8-foot diameter tunnel, lined with redwood timbers, was dug over a mile long south from Van Arsdale through the mountain, finally opening into the north end of Potter Valley and the upper Russian River watershed, where water flows through a penstock dropping over 450 vertical feet into the Potter Valley Powerhouse. (PVID, 2024)

As the project developed, it required more capital investment and the Eel River Power and Irrigation Company was reorganized as the Snow Mountain Water and Power Company in 1906. The project began to produce power beginning in April of 1908. The first two units in operation were each 2,000 kilovolt-ampere (kva). In 1910, the power company added a 3,000 kilovolt-ampere (kva) unit. In 1912 a second penstock was constructed. In 1917, a final 2,000 kva unit was installed and the total capacity of the powerhouse grew to 9,400 kva (9.4 megawatts). (PVID, 2024)

In the early years of the PVP operations, water was only diverted from the Eel River during high winter and spring flows because the natural late spring, summer and fall flows on the Eel River dropped to levels below diversion infrastructure. In response, by 1920 the Snow Mountain Water and Power Company acquired a Department of Agriculture Power permit to build another dam on the Main Stem Eel River, above Cape Horn Dam. Construction of Scott Dam, a cyclopean concrete ogee gravity structure, began in 1920 and was completed in 1922 allowing winter runoff water to be stored in the newly-formed Lake Pillsbury and to be released in the summer for diversion and power production.

On April 15, 1922 the Federal Power Commission (precursor to the Federal Energy Regulatory Commission (FERC)), granted a 50-year license for the PVP under Project No. P-77. Scott Dam was completed, and Lake Pillsbury began to fill in winter 1922. In 1930 PG&E acquired the PVP from Snow Mountain Water and Power and assumed the license.

### 3.1.1.2 PVID HISTORY

PVID was formed in 1924 and on June 12, 1928, the people of Potter Valley voted to bond the District for \$100,000 for 20 years for the purpose of constructing irrigation infrastructure. In August of 1928, PVID took bids for the construction of the canals, laterals, flumes and gates. The main canals were dug by rotary ditchers and the laterals were dug by teams of horses with V-ditchers. Construction was completed May 15, 1929, and the bond was retired on July 1, 1952.(PVID, 2024)

Originally, the District had a contract for delivery of water from the Snow Mountain Water and Power, which was signed on September 31, 1926, and confirmed by the California Railroad Commission on July 25, 1930. When PG&E acquired the PVP from Snow Mountain Water and Power, this contract was transferred as well on February 5, 1936. This same contract remains in place to this day.

### 3.1.2 Services

The PVID operates under four water licenses monitored by the State Water Resources Control (SWRCB) board as summarized below in Table 3-1. Three of the licenses are owned by PG&E (L-1199, L-5545, and L-5246) and allow the District to divert 50 cubic-feet-per-second (cfs) via the PVP, for use by PVID, up to a total of 19,000 AF per year between May 1 and September 30. Up to 16,000 AF is available to the PVID during the summer. The rest of the year PVID can request water, at a rate not to exceed 50 cfs, until the balance of the 19,000 AF is used.

A fourth perfected water right dating back to 1950 is owned by the District (L-5246) for water released below the Potter Valley Powerhouse into the East Branch of the Russian River (EBRR). Under this license PVID has the appropriate right to divert 50 cfs (a total of up to 100 cfs including the contract water from PG&E); however, this diversion is only viable when water is available.

**Table 3-1: Potter Valley Irrigation District Water Rights**

License	Owner	Source	Amount	Season	Purpose	Point of Use
S-1010	PG&E	Eel River (Van Arsdale/Cape Horn Dam)	340 cfs	Jan 1-Dec 31	Power and Irrigation	PVID
L-1199	PG&E	Eel River (Lake Pillsbury)	4,500 cfs	Nov 1-Apr 1	Irrigation	PVID
L-5545	PG&E	Eel River (Lake Pillsbury and Van Arsdale)	4,908 storage 50 cfs diversion	Mar 15- Oct 30 Nov 1- Jun 1	Irrigation	PVID
L-5246	PVID	Powerhouse Canal	50 cfs diversion	Apr 1-Nov 15	Irrigation	PVID

Source: PVID, 2024

These four perfected water rights, when combined, grant PVID the right to use 22,670 AF of water per year, at a combined rate not to exceed 100 cfs at any given time. The District's water rights ensure the right to irrigate in its net Place of Use, which totals 4,905 acres, and the District's gross Place of Use, which totals 23,040 acres.

### 3.1.2.1 FERC LICENSING CONFLICT

The water service contract between the District and PG&E has historically been dependent on a Federal Energy Regulatory Commission (FERC) hydropower production license that PG&E has held since 1930, that allowed the diversion of water from the Upper Main Eel via the PVP. This license expired on April 14, 2022 and PG&E has been operating under a year-to-year license from FERC since then.

The process to relicense the PVP began in April 2017 with PG&E's filing of a Notice of Intent to relicense. Scoping documents were produced by FERC in June 2017 and public scoping meetings were held. Proposed Study Plans were prepared by PG&E and discussed at numerous technical working group meetings during the fall and winter of 2017. A revised Study Plan was filed by PG&E with FERC in January of 2018 and accepted by FERC with minor changes in February of 2018. The first year of studies began in the spring of 2018 and were scheduled to continue through December of 2019. (MCIWPC, 2024)

On May 18, 2018, PG&E announced their intent to start an auction process to sell the PVP and related FERC license. PG&E was scheduled to continue implementing the Study Plan approved earlier in the year as they moved forward with their internal auction process. However, on January 25, 2019, PG&E withdrew their FERC license application process and concurrently ended their internal auction process. (MCIWPC, 2024)

On March 1, 2019, FERC initiated a 120-day period (ending July 1, 2019) inviting interested parties to submit pre-filing documents to FERC to be considered for the re-licensing of the now-orphaned PVP. On May 14, 2019, the MCIWPC, Sonoma Water, and California Trout, Inc. established a planning agreement for the potential licensing of the PVP. Humboldt County became the fourth signatory at a later date and the Round Valley Indian Tribes were also added as a partner. On June 28th, the four partners submitted a Notice of Intent to FERC to file an application for a new license for the project. No other applications were filed with FERC as of the deadline and FERC accepted the proposal in August 2019. (MCIWPC, 2024)

FERC approved the Feasibility Study, and the partners continued to work toward submitting all of the licensing application requirements to FERC in order to have the project licensed by PG&E's original license expiration date (April 14, 2022). However, the partners were unable to complete the required studies within the timeframe and FERC directed PG&E to file a surrender application and start the decommissioning of the project infrastructure (MCIWPC, 2024). PG&E filed the schedule for the surrender on July 29, 2022, requiring them to file a license for a Surrender Application and plan for decommissioning the PVP by January 29, 2025.

### 3.1.2.2 CURRENT STATUS OF PVP

On November 17, 2023, PG&E released an Initial Draft Surrender Application and Conceptual Decommissioning Plan which stated that a Surrender Application for the PVP will be filed by the deadline. This Surrender Application will include agency and stakeholder consultation, preparation of a draft surrender application and decommissioning plan, solicitation of comments on the draft application, the finalization of the surrender and decommissioning plan and filing of the final plan with the FERC. (McMillen, May 25, 2024)

Essentially, the decommissioning means that the PVP infrastructure will be partially or fully removed and Scott Dam, Lake Pillsbury, the inter-basin water diversion, and the powerhouse could also be dismantled. Although water diversions into the Russian River watershed may potentially continue, without Lake Pillsbury storage, diversions would likely be limited to high-flow winter months, initiating a separate set

of regulatory concerns regarding the ability to store the water in Lake Mendocino and how much, if any, would be provided to Potter Valley or residents around Lake Pillsbury (Mendocino County Water Agency, 2022). The potential loss of storage associated with the decommissioning of the PVP means that any future diversions from the Eel River to the Russian River will require PVID to develop new storage to manage supplies for year-round use in the Potter Valley region.

As described in Section 2.3.5.3, the Eel Russian Project Authority (ERPA), has the power to negotiate with PG&E as the entity moves ahead with decommissioning of the PVP. The new authority also has the legal capacity to own, construct and operate a new water diversion facility near the Cape Horn Dam. The District is looking to the ERPA to represent the interests of the District and its customers moving forward in negotiations with PG&E.

PG&E, PVP Proponents (identified as Sonoma Water Agency, MCIWPC, Humboldt County, Round Valley Indian Tribes, California Trout, Trout Unlimited, and California Department of Fish and Wildlife), and others have also formed a steering committee to develop a Surrender Application Memorandum of Understanding (MOU) to best bring shared interests into one agreement that aligns with PG&E's Surrender Application and Decommissioning Plan. (PVID, 2024)

Discussions between the ERPA and PG&E about asset transfer and coordination of decommissioning activities and refurbishment of a diversion are still ongoing. PG&E and the ERPA will enter into legal agreements addressing construction obligations, permitting, and facility transfers as needed. In addition, PG&E will attempt to enter into legal agreements with other agencies and parties where their interest related to the PVP facility removal fall outside of the FERC Surrender proceeding. (PVID, 2024)

It is worth noting that the schedule and events associated with the PVP decommissioning could be modified in the course of this process.

Since the license expired in April 2022, PG&E has been operating the PVP under FERC on an annual license basis.

### 3.1.3 Service Area

The District is located within the Russian River Watershed which covers approximately 1,485 square miles and spans two counties, Mendocino and Sonoma. The District provides irrigation water to 275 customer accounts (approximately 390 farms) irrigating approximately 4,602 acres within the PVID boundary. The main crops irrigated in Potter Valley include pastures for grazing cattle and hay production, pear orchards, wine grape vineyards, row crops, nurseries and a few sheep, horse and goat farms.

### 3.1.4 Outside Agency Services

The District does not provide any services outside its jurisdictional boundaries and there have been no requests for extensions of services. Additionally, as previously noted, as of 1999 the District has a self-imposed moratorium in place that prohibits annexation of any lands or service to any new customers, including those outside the District boundary, as a result of water scarcity.

The District noted that there has been interest expressed for annexation into the District. Currently, there are a number of properties located in southeast portion of Potter Valley, outside District boundaries, that are on a waiting list seeking annexation to obtain water service from the District. However, the moratorium has prevented any further movement on the topic.

### 3.1.5 Facilities and Infrastructure

The District's water distribution system consists of 16 miles of main canals and 18 miles of secondary laterals. To date, 9,700 feet of open-ditch main canals and 19,520 feet of open-ditch secondary laterals have been put into pipe. Additionally, Potter Valley farmers have constructed 33 water storage ponds that in all have a total capacity of approximately 775 AF of water delivered by PVID; PVID currently has no water storage facilities of its own. Table 3-2 below summarizes the PVID system characteristics.

Main Canals	18 miles
Laterals	18 miles
Main Service Gates	88
Private Storage Ponds	55 ponds
Private Storage	775 AF
Private Storage Ponds Outside District	15 ponds
Private Storage Outside District	146 AF
Flumes	4
Siphons	6

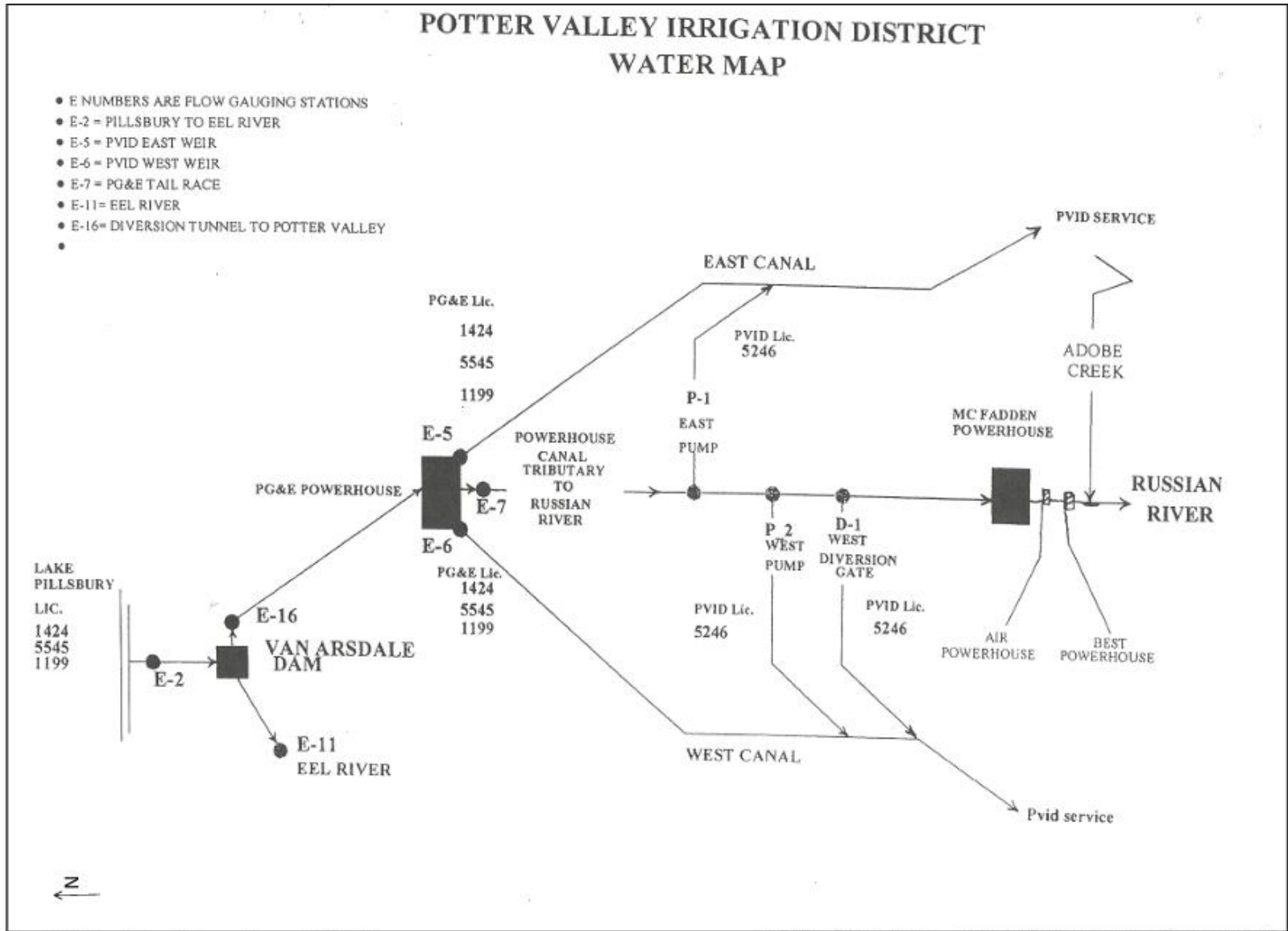
Figure 3-1 shows a schematic of the PVID system, including the canals, ponds, and gates. The exhibit shows that water is diverted into two canals—one on the east side of the valley and the other on the west side. The EBRR flows north to south near the center of the PVID.

The District has historically relied on the infrastructure of the PVP to divert water from the Eel River, which feeds the Potter Valley Powerhouse and supplies water to the District via the aforementioned series of gravity fed canals, which begin at the Powerhouse.

Under current operations, the PVP is an inter-basin diversion that moves approximately 39,000 AF of water from the Main Stem Eel River to the EBRR. The PVP consists of Scott Dam which impounds Lake Pillsbury (located approximately 17 miles northeast of the Potter Valley community center); Cape Horn Dam which forms Van Arsdale Reservoir (located approximately 6 miles north of the community) and serves as the forebay for the diversion tunnel; the fish screen and ladder at Van Arsdale, which partially mitigates the impact on fisheries of the diversion and allow the passage of Steelhead and Chinook Salmon; the diversion tunnel itself, which conveys water through the hill to the north end of Potter Valley; and lastly the penstock and powerhouse in Potter Valley.



Figure 3-1: PVID Schematic Map





**Figure 3-2: Cape Horn Dam and the Fish Ladder at the Potter Valley Project**  
Source:(PVID, 2024)



**Figure 3-3: Scott Dam at Lake Pillsbury**  
Source: (PVID, 2024)

#### 3.1.5.1 SYSTEM IMPROVEMENTS

Various infrastructure improvements have been made to the District's distribution system over the years, including reshaping the main canals and rebuilding the canal berms to their original width in 1989. This continues as ongoing maintenance.

As discussed in Section 2.4.2.4, the District has an active approved construction project list for the 2024 year funded by the District's reserve account. By the end of 2024, 6 out of 12 projects were completed, with the rest of projects still underway.

The District continues to rely heavily on the PVP infrastructure for water storage and diversion until the Final Surrender Application and Decommissioning Plan for the PVP is realized. However, it is expected that the PVP infrastructure will be removed either partially or fully, and Scott Dam, Lake Pillsbury, the inter-basin water diversion infrastructure, and the powerhouse is likely to be altered at minimum. The continued supply of water for the District will necessitate new diversion and storage facilities to ensure that water continues to flow into the Russian River to support the District, the communities throughout southern Mendocino County, Sonoma and Marin, as well as the environments of the Russian River watershed.

In anticipation of this, the ERPA has been working with PG&E to study and develop an alternative diversion system for the East Branch Russian River that could potentially be utilized by the District. It is not yet clear whether the District's current diversion system will be able to be utilized in the future as a result of the decommissioning process. The District has stated that it is interested in securing a closed delivery system.

LAFCo staff acknowledges the District's continued efforts on behalf of its customers to work with the ERPA and all other relevant parties to determine alternative ways to provide irrigation water to Potter Valley and surrounding communities.

#### 3.1.5.2 ENGINEERING REPORTS

As of 2013, the District has been working with the National Oceanic and Atmospheric Administration (NOAA) on the Upper Main Stem Eel River Draft Coho Recovery Action Plan. The purpose of the study is to identify protection strategies for the Central California Coast Coho Salmon population, which is on the endangered species list. The goal of the Plan is to restore and safeguard a future for the species so that the protections of the Endangered Species Act (ESA) are no longer needed. The current status of this report is unknown; however, efforts are being made by the District to ensure protections under the ESA are realized in both the Eel and Russian River Basins during the PVP decommissioning process (RFI PVID, 2025).

In 2023, the District hired Jacobs Engineering Group to prepare an extensive groundwater and geophysical study of Potter Valley to develop new water storage options in Potter Valley in response to PG&E's plan to surrender and decommission the PVP diversion facilities. This project is evaluating whether aquifer storage and recovery and on-farm recharge of the underlying Potter Valley aquifer system, as well as new surface storage (e.g., off-stream dam and storage reservoir or storage ponds) are feasible alone, or in combination, with storage of seasonal run-of-river diversions for PVID. The study is being funded through a DWR grant attained by Sonoma Water, in a joint effort with the MCIWPC. In November 2024, the District held a town hall meeting to discuss the results of the groundwater and geophysical study. Highlights of the report as discussed at the meeting are summarized below.

Jacobs explored various storage solutions, including new dams on Potter Valley streams or the East Branch of the Russian River, as well as expanding existing pond storage. Building dams would require significant investment and time; tributary dams would need to be 100 to 200 feet tall, while a dam on the East Branch would require a height of 20 to 40 feet. Expanding frost protection ponds could provide up to 6,000 AF of new storage, tripling current capacity. The consultants also assessed water conservation strategies, such as replacing irrigation canals with pipes to reduce seepage and evaporation losses, which currently amount to 6,000 AF annually. Additionally, improved agricultural irrigation techniques could save an additional 1,000 to 3,000 AF (Huetti, 2024).

In May 2024, the Sonoma Water Agency finalized a preliminary engineering report titled *The Potter Valley Project Diversion Facilities Assessment*. The report, prepared by McMillen, Inc., was prepared to develop viable alternatives to achieve both improved fish passage conditions at the location of Cape Horn Dam and reliable supply of water to the East Branch Russian River. This Preliminary Engineering Report documents the alternatives, presents the engineering analyses undertaken to design a subset of alternatives to a conceptual level of completion, and presents the evaluation framework, criteria, and scores that were collaboratively developed by key Project stakeholders so as to make an informed recommendation regarding Project alternatives and to assist in the identification of a preferred Project alternative.

Given the uncertainty of what future water storage and supply method will be utilized by the District in the absence of the PVP, it is assumed additional reports will be prepared as needed in the near future to further explore and determine the best option.

#### 3.1.5.3 DEMAND

The average daily demand for the District is 120 AF and ranges from a minimum of 70 AF to a maximum of 140 AF. The PVID's peak demand capacity is 200 AF per day.

Of its total diversion rights, the PVID sells between 77 to 80 percent of the diverted water in its canals and the remainder is returned to the EBRR, which is then stored in Lake Mendocino for downstream users. The water stored in Lake Mendocino subsequently becomes the majority of the water supply for downstream communities including Redwood Valley, Calpella, Ukiah, Ukiah Valley, Hopland and northern Sonoma County, above the confluence with Dry Creek.

On average, based on the last 20 years of water sales, the District has sold 11,259 AFA of water with a maximum during this time period of 14,434 AF and a minimum of 8,309 AF. The average annual demand is 16,588 AF, which varies yearly due to weather conditions. The District was able to accommodate customer demands within a reasonable time frame of 12 to 14 days average.

In 2023, PVID received its full contract amount of water deliveries from PG&E; however, operations were limited to a demand-based request system as a result of previous drought restrictions implemented by PG&E. Under the demand system, PG&E only supplies the amount of water that the District is delivering at any given time on a daily schedule, as opposed to the full delivery rate of 50 cfs which normally would release into the EBRR for use at the District's discretion with the unused portion flowing to Lake Mendocino.

Under a normal water year classification, the PVP flows were projected by the District to be as follows during the 2024 year:

- 10-16-23 PVID begins receiving 5 CFS Maintenance flow and Post Harvest Water becomes available for use in District canals up to a max of 50 CFS thru 10-31-23.
- 3-1-24 EBRR is still at 35 CFS + 5 CFS Buffer flow + PVID 5 CFS = 45 CFS.
- 3-15-24 thru 4-15 PVID may request frost water up to a max of 50 CFS above the EBRR flow for use in District canals. E-16 = 90 CFS
- 4-15-24 EBRR at 35 + 5 buffer = 40 CFS plus 50 for PVID = 90 CFS available.
- 5-15-24 EBRR increase to 75 + 5 buffer = 80 CFS plus 50 for PVID = 130 CFS.
- 9-16-24 EBRR decrease to 35 + 5 buffer = 40 plus 50 for PVID = 90 CFS.
- 10-16-24 PVID begins receiving 5 CFS Maintenance flow and Post Harvest Water becomes available for use in our canals up to a max of 50 CFS thru 10-31-24.

EBRR flows should remain at 35 cfs plus 5 cfs until next May, unless high flows above 7,000 cfs in the Eel River require PG&E to stop all diversion to protect project facilities. (PVID, 2024)

However, in 2024 PG&E filed a request with FERC for a License Flow Variance to operate outside the typical above operating plan because they are no longer allowed to close the top gates on Scott Dam to store the 20,000 AF of water needed to make it through the water season. This has resulted in the EBRR being cut back from the normal summer flow of 35 cfs plus the 5 cfs buffer, to just 5 cfs total. This change has direct impacts on PVID customers and downstream users. (RFI, 2024)

As of April 16, 2024, 438,320 AF of water has flowed through Lake Pillsbury and past Van Arsdale Dam in 2024. For comparison, only 228,000 AF was diverted during the entire 2022 water season, which immediately followed the severe drought of 2020-21.

#### 3.1.5.4 CAPACITY

The District does not own any storage facilities and relies on the PVP infrastructure, its own system of canals and pipes, and private storage. The District primarily relies on the Scott Dam, which impounds Lake Pillsbury, and the Cape Horn Dam, which impounds the Van Arsdale Reservoir, as its primary storage from which its annual diversions are released. PG&E manages all storage and diversion facilities under its FERC license, which is now an annual license as the decommissioning process proceeds.

Cape Horn Dam impounds the Van Arsdale Reservoir for the purpose of the PVP's diversion facility, which originally had a gross storage capacity of 1,457 AF and a usable capacity of 1,140 AF. However, accumulation of sediment over time has resulted in significant loss of reservoir capacity and is currently approximately less than 390 AF (McMillen Jacobs Associates, 2021).

Until recently, the gates on Scott Dam are open between October 16 and April 1, which in typical years allows Lake Pillsbury to reach maximum storage levels. The storage capacity of the Lake Pillsbury reservoir was originally 94,400 AF but has diminished by approximately 20,000 AF due to siltation and accumulated sediment volume behind the dam (McMillen Jacobs Associates, 2021). Additionally, as of 2024, FERC

notified PG&E that it may no longer close the top gates on Scott Dam due to potential seismic risks. The result is a loss of approximately 20,000 AF of storage space, which will result in reduced summer flows.

As noted above in Table 3-2, Landowners also utilize private storage ponds both within and outside of the District boundary. Private storage allows for an additional 775 AF of water to be stored. In dry years, customers must rely on these private ponds and storage facilities to address the District rotational delivery interval for frost water deliveries. Most private storage is used for vineyards. (RFI PVID, 2025)

The PVID has historically had sufficient capacity to serve its customers in normal years. However, as a result of PG&E's Notice of Intent to surrender and decommission the PVP, the future of water storage for the District is uncertain. As discussed in Section 3.1.2.1 and Section 3.1.2.2, the District is working closely with multiple partners in a joint effort with the MCIWPC to identify potential future storage options.

#### 3.1.5.5 DROUGHT CONTINGENCY PLANNING

In the time since the last MSR/SOI report was prepared for the District, drought conditions throughout the State have ebbed and flowed leaving some smaller service providers in dire positions. During the 2020-2022 extreme drought conditions, the SWRCB established curtailments that affected all post-1949 water rights. PVID'S appropriative right (L-5246) was registered as of 1950 and thus resulted in a 50% reduction of available water for the 2021 season. In response, the District adopted the PVID Drought Allocation Plan for 2021 (effective May 12, 2021), which lasted for a period of 180 days total.

Having only a portion of the normally contracted water amount available, a 50% reduction from normal resulted in a curtailment to PVID forcing the District to operate at 25% of normally available water. As a result of limited storage in Lake Pillsbury, PVID only received 9,000 AF of water in 2021, less than half of the typical annual contract of 19,000 AF. In response, the District adjusted deliveries to each customer based on number of acres of each commodity grown and a percentage of their water use as part of the District Net Acres being irrigated was assigned an AF/AC/YR allotment of the 9,000 AF until it was either gone or readjusted by PG&E or FERC. The figures were based on crop use data over an eleven-year average, including 2020. The District continues to prepare as much as possible for future drought years.

#### 3.1.6 Service Adequacy

Based on information provided by the District regarding facilities, management practices, accountability, and financing, PVID's service is adequate. However, up until April of 2022 the District had relied on their long-standing contract with PG&E to divert water for its customers via the PVP which is now operating on an annual basis since the license expired. The imminent surrender and decommissioning of the PVP will likely have a significant impact on PVID's ability to provide irrigation water services.

The District has been actively involved in multi-agency and organization efforts to identify and develop plans for a post-PVP conditions for the continued diversion of water from the Eel River to meet consumptive needs in the Russian River system, which effects not only the PVID, but the Ukiah Valley and several counties that rely on diverted water stored in Lake Mendocino.

##### 3.1.6.1 REGULATORY PERMITS AND COMPLIANCE HISTORY

As previously noted, the District has historically operated and is dependent on PG&E's FERC hydropower production license that allows for the diversion of water from the Upper Main Eel River (S-1010, L-1199, and L-5545) into the Russian River watershed. Since the license expired on April 14, 2022, the PG&E has been operating on an annual license from FERC. Under the annual license, PG&E is required to file a daily

report to FERC of PVP flows, lake elevations, storage, weather, and general system status for the project. The information is then used to determine flow rate management for the next day. (PVID, 2024)

As of 2024 PG&E filed a request with FERC for a License Flow Variance to operate outside the normal operating plan resulting in the EBRR being cut back from the normal summer flow of 35 cfs plus the 5 cfs buffer, to just 5 cfs total.

Until the decommissioning process of the PVP is fully completed, the District can continue to expect potential changes to the water license as a result of PG&E actions.

### 3.1.6.2 NEEDS AND DEFICIENCIES

In response to PG&E stating their intent to surrender the PVP, as previously noted the District is working to identify potential new water storage area inside the Potter Valley area. Establishing new water storage will be key to providing water during future irrigation seasons. Additionally, with PG&E filing for a License Flow Variance to operate outside the normal operating plan, the District will need to respond to the impacts of the EBRR being cut back from the normal summer flow. It is anticipated that this issue will most likely continue until the decommissioning of the PVP occurs.

## 3.2 Determinations.

This section presents the required MSR determinations pursuant to California Government Code (GC) Section (§) 56430(a) for the PVID.

### 3.2.1 MSR Review Factors

#### 3.2.1.1 GROWTH

Growth and population projections for the affected area
---------------------------------------------------------

1. The District's service area spans a wide area that is mostly agricultural lands and completely encompasses the Potter Valley CDP which has a population of 537. However, the PVID service area is much larger in area than the Potter Valley CDP. Analyzing the zip code that covers the District's service area (95469) there is a total population of 1,855.
2. The anticipated growth of the District is limited to the development of mostly already built out commercial and rural residential areas located in Potter Valley. A majority of the land within the District is agricultural in use, and therefore future development of this land is not anticipated.
3. In 1999, in response to an uncertainty of capacity, the District imposed a moratorium on annexation of any lands into the District, thus limiting new customers. This moratorium is memorialized as Rule No. 20A in the District's Bylaws, which originally ran through 2022 but was extended and continues to remain in effect. As such, the District is precluded from expanding services or seeking to expand its sphere of influence.
4. The District maintains a waitlist with a number of properties located in southeast portion of Potter Valley outside District boundaries that are seeking annexation to obtain water service from the District. However, the moratorium has prevented any further movement on the topic.

### 3.2.1.2 DISADVANTAGED UNINCORPORATED COMMUNITIES

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

5. The District encompasses the whole Potter Valley CDP. The MHI of the CDP is of \$76,250, which is just below the statewide MHI threshold and therefore considered to be a DUC. Additionally, both the zip code and the census tract that the District is located within are considered DUC territory. However, the residents within Potter Valley receive adequate services with respect to fire, which is provided by Potter Valley Community Services District that serves as the umbrella agency for the Potter Valley Volunteer Fire Department. There are no drinking water services provided in the region; properties within the District boundaries utilize well water. According to data sourced from the DWR, the District spans across approximately 24 Public Land Survey Sections, which are documented as having approximately 292 domestic wells. With respect to wastewater, properties utilize onsite septic systems for their wastewater needs. While the Potter Valley CDP qualifies as a DUC under this methodology, the community is currently receiving adequate essential municipal services of fire, water, and wastewater.

### 3.2.1.3 CAPACITY OF FACILITIES AND ADEQUACY OF SERVICES

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence

6. The PVID utilizes diverted raw water from the Eel River to provide irrigation water to its approximately 275 agricultural customers on 6,966.1 acres.
7. The PVID has historically operated under three licenses (5246, 1199, 5545) with the SWRCB that allow the PVID to divert up to 22,670 AFY between May 1 and September 30 of each year. As part of this allotment, the PVID has a contract with PG&E to supply 19,000 AFY irrigation water through 2022. This license has since expired and the PVP is operating on an annual basis now.
8. The average annual demand is 16,588 AF on a normal annual supply of 22,670 AF. During the most recent drought period the District's supply was reduced by more than 50 percent.
9. As of 2024 PG&E filed a request with FERC for a License Flow Variance to operate outside the normal operating plan resulting in the EBRR being cut back from the normal summer flow of 35 cfs plus the 5 cfs buffer, to just 5 cfs total. It is anticipated that this issue will most likely continue until the decommissioning of the PVP occurs.
10. The District does not own any storage facilities and relies on the PVP infrastructure and private storage.
11. Cape Horn Dam impounds the Van Arsdale Reservoir which currently has a reservoir capacity of approximately less than 390 AF.
12. As of 2024, FERC notified PG&E they may no longer close the top gates on Scott Dam due to potential seismic risks, thereby reducing potential storage capacity by up to 20,000 AF and limiting normal summer flows.
13. Landowners utilize private storage ponds both within and outside of the District boundary that store approximately 775 AF of irrigation water.
14. The PVID has historically had sufficient capacity to serve its customers in normal years. However, as a result of PG&E's Notice of Intent to surrender and decommission the PVP, the future of water storage



for the District is uncertain. The District is working closely with multiple partners including the Sonoma Water Agency, in a joint effort with the MCIWPC to identify potential future storage options.

15. Until the decommissioning process of the PVP is fully completed, the District can continue to expect potential changes to the water license as a result of PG&E actions.

#### 3.2.1.4 FINANCIAL ABILITY OF AGENCY

##### Financial ability of agencies to provide services

16. The PVID budget operates on a calendar-year basis. Revenue sources are derived primarily from property taxes, which accounts for approximately 70 percent of all revenues.
17. The top expenditure for the District is transmission and distribution (which is tied to the cost of selling the water), followed by administrative and depreciation costs. PVID revenues fluctuate based on the type of season, weather, and the time the season starts and ends. The District's budget is a reflection of the increase in the cost of goods including capital improvement costs and employee wages which are increased annually with the COLA.
18. The current water purchase contract with PG&E stipulates that PVID pays \$20.00 per acre-foot (AF) and District customers pay \$22.50 per AF.
19. District customers are charged standby fees which are assessed annually on a per acre basis of the irrigated lands within the PVID boundaries at a rate of \$8.50 per acre levied in two installments. Only the District standby fees fall under Prop 218 and charges are assessed for it on January 1.
20. The District has been operating at a net positive and appears to be financially stable. The PVID has sufficient revenues to provide service. However, in light of PG&E's decommissioning and surrender of the PVP license, the District will likely need to make substantial infrastructure investments to adjust to new, yet to be determined, diversion facilities and schedules and storage facilities.
21. The District's reserves account as of December 2024 totaled \$291,689.38.
22. The District has 5 and 10 year CIPs with the last being adopted for the 2024 year. It is noted that the CIPs will need to be reviewed for relevancy upon establishment of new operations in a post-PVP condition. Further, with the decommissioning of the PVP the District will be considering funding options for future water storage and infrastructure upgrades.
23. By the end of 2024, 6 out of 12 CIP projects planned for the year were completed, with the rest of the projects still underway.

#### 3.2.1.5 SHARED SERVICES AND FACILITIES

##### Status of, and opportunities for, shared facilities

24. Due to its geographical isolation, there are no other public or private irrigation water service providers located adjacent to the District. The nearest irrigation water provider in the region is the Mendocino County Russian River Flood Control & Water Conservation Improvement District located in the Ukiah and Redwood Valley areas.
25. The District does not share services or facilities with any other entity; however, it has historically relied on the infrastructure of the PVP through a long standing contract with PG&E now operating on an annual basis from FERC.
26. In response to the imminent surrender and decommissioning of the PVP, the District is working with various groups to determine the future of the District's diversion infrastructure and ability to serve existing customer in the immediate future.

27. The District regularly works closely with other county agencies such as the MCIWPC, a JPS consisting of Mendocino County, the City of Ukiah, PVID, Mendocino County Russian River Flood Control and Water Conservation Improvement District, and Redwood Valley County Water District.
28. In December 2023, the ERPA JPA was formed by a joint exercise of powers agreement between the County of Sonoma, Sonoma Water Agency (Sonoma Water), and the MCIWPA. ERPA was formed to negotiate with PG&E as the entity moves ahead with the imminent surrender and decommissioning of the PVP. The ERPA has the legal capacity to own, construct and operate a new water diversion facility near the Cape Horn Dam. The PVID board currently has one board member who also sits on the board of the ERPA and represents PVID's interests and concerns.
29. The District has been very proactive in collaborating with other agencies to develop options and plans for a post-PVP situation. It will be important for the District to continue to actively coordinate with all the appropriate and necessary groups, including but not limited to the ERPA, in response to the surrender and decommissioning of the PVP.

#### 3.2.1.6 ACCOUNTABILITY, STRUCTURE AND OPERATIONAL EFFICIENCIES

Accountability for community service needs, including governmental structure and operational efficiencies

30. The District demonstrated accountability and transparency by disclosing financial and service related information in response to LAFCo requests.
31. The District provides accountability to its constituents by meeting regularly on the third Wednesday of the month at 7 p.m. at the PVID office at 10170 Main Street in Potter Valley. Board meetings are noticed according to the Brown Act.
32. The PVID is governed by a five-member board elected at large from divisions. Board members receive no compensation. The board functions under a set of by-laws, which were last amended in 2022, and has one standing committee - the Safety Committee.
33. In accordance with District policies 1020.1 and 1020.2, Form 700 has been filed by all elected District members, including the Superintendent and District legal counsel, with the Mendocino County Clerk's Office for the year 2024.
34. The District reports that no complaints have been received within the last five years.
35. The PVID has five full-time and seven part-time employees who provide efficient services to the PVID residents and customers. All employees are given an annual review to track their performance, which is administered by either the supervising staff member or the Board of Directors.
36. PVID noted as part of this MSR process that while the number of District staff members is currently adequate to run the operations and maintenance of the District, staff is stretched thin and additional staff is needed.
37. The PVID maintains a website (<https://www.pottervalleywater.org/>) that allows for communication with the public. The District is encouraged to review its website to ensure compliance with SB 929 transparency laws and the most recent ADA and accessibility laws (see Appendix B).

## 4 SPHERE OF INFLUENCE

LAFCo prepares a Municipal Service Review (MSR) prior to or in conjunction with the Sphere of Influence (SOI) review process. An SOI study considers whether a change to the SOI, or probable future boundary, of a local government agency is warranted to plan the logical and orderly development of that agency in a manner that supports the CKH Law and the policies of the Commission. The MSR and required determinations are presented in Chapters 2 and 3 of this document and form the basis of information and analysis for this SOI review. This chapter presents the SOI Update and required determinations pursuant to GC §56425(e).

### 4.1 Mendocino LAFCo Policies

In addition to making the necessary determinations for establishing or modifying an SOI consistent with the CKH Act, the appropriateness of an agency's SOI is also based on an evaluation of consistency with local LAFCo policies. Sphere of Influence policies can be found in the [Mendocino LAFCo Policies and Procedures Manual](#), adopted November 5, 2018, and as updated.

#### 10.1.1 Legislative Authority and Intent

A sphere of influence is the probable 20-year growth boundary for a jurisdiction's physical development. The Commission shall use spheres of influence to:

- a) promote orderly growth and development within and adjacent to communities.
- b) promote cooperative planning efforts among cities, the County, and special districts to address concerns regarding land use and development standards, premature conversion of agriculture and open space lands, and efficient provision of public services.
- c) guide future local government reorganization that encourages efficiency, economy, and orderly changes in local government; and
- d) assist property owners in anticipating the availability of public services in planning for the use of their property.

#### 10.1.2 Definitions

The Commission incorporates the following definitions:

- a) an "establishment" refers to the initial development and determination of a sphere of influence by the Commission.
- b) an "amendment" refers to a limited change to an established sphere of influence typically initiated by a landowner, resident, or agency; and
- c) an "update" refers to a comprehensive change to an established sphere of influence typically initiated by the Commission.

#### 10.1.3 Sphere Updates

In updating spheres of influence, the Commission's general policies are as follows:

- a) The Commission will review all spheres of influences every five years for each governmental agency providing municipal services. Municipal services include water, wastewater, police, and fire protection services.
- b) Sphere of influence changes initiated by any agency providing a municipal service shall generally require either an updated or new service review unless LAFCo determines that a prior service review is adequate.

- c) Spheres of influence of districts not providing municipal services including, but not limited to, ambulance, recreation, hospital, resource conservation, cemetery, and pest control shall be updated as necessary.

#### **10.1.4 Reduced Spheres**

The Commission shall endeavor to maintain and expand, as needed, spheres of influence to accommodate planned and orderly urban development. The Commission shall, however, consider removal of land from an agency's sphere of influence if either of the following two conditions apply:

- a) the land is outside the affected agency's jurisdictional boundary but has been within the sphere of influence for 10 or more years; or
- b) the land is inside the affected agency's jurisdictional boundary but is not expected to be developed for urban uses or require urban-type services within the next 10 years.

#### **10.1.5 Zero Spheres**

LAFCo may adopt a "zero" sphere of influence encompassing no territory for an agency. This occurs if LAFCo determines that the public service functions of the agency are either nonexistent, no longer needed, or should be reallocated to some other agency (e.g., mergers, consolidations). The local agency which has been assigned a zero sphere should ultimately be dissolved.

#### **10.1.6 Service Specific Spheres**

If territory within the proposed sphere boundary of a local agency does not need all of the services of the agency, a "service specific" sphere of influence may be designated.

#### **10.1.7 Agriculture and Open Space Lands**

Territory not in need of urban services, including open space, agriculture, recreational, rural lands, or residential rural areas shall not be assigned to an agency's sphere of influence unless the area's exclusion would impede the planned, orderly, and efficient development of the area. In addition, LAFCo may adopt a sphere of influence that excludes territory currently within that agency's boundaries. This may occur when LAFCo determines that the territory consists of agricultural lands, open space lands, or agricultural preserves whose preservation would be jeopardized by inclusion within an agency's sphere. Exclusion of these areas from an agency's sphere of influence indicates that detachment is appropriate.

#### **10.1.8 Annexations Are Not Mandatory**

Before territory can be annexed to a city or district, it must be within the agency's sphere of influence (GC §56375.5). However, territory within an agency's sphere will not necessarily be annexed. A sphere is only one of several factors that are considered by LAFCo when evaluating changes of organization or reorganization.

#### **10.1.9 Islands or Corridors**

Sphere of influence boundaries shall not create islands or corridors unless it can be demonstrated that the irregular boundaries represent the most logical and orderly service area of an agency.

### 10.1.10 Overlapping Spheres

LAFCo encourages the reduction of overlapping spheres of influence to avoid unnecessary and inefficient duplication of services or facilities. In deciding which of two or more equally capable agencies shall include an area within its sphere of influence, LAFCo shall consider the agencies' service and financial capabilities, social and economic interdependencies, topographic factors, and the effect that eventual service extension will have on adjacent agencies. Where an area could be assigned to the sphere of influence of more than one agency, the following hierarchy typically applies:

- a) Inclusion within a city's sphere
- b) Inclusion within a multi-purpose district's sphere
- c) Inclusion within a single-purpose district's sphere

Territory placed within a city's sphere indicates that the city is the most logical provider of urban services. LAFCo encourages annexation of developing territory (i.e., area not currently receiving services) that is currently within a city's sphere to that city rather than to one or more single-purpose special districts. LAFCo discourages the formation of special districts within a city's sphere. To promote efficient and coordinated planning among the county's various agencies, districts that provide the same type of service shall not have overlapping spheres.

### 10.1.11 Memorandum of Agreements (For City Sphere Amendments and Updates)

Prior to submitting an application to LAFCo for a new city sphere of influence or a city sphere of influence update, the city shall meet with the County to discuss the proposed new boundaries of the sphere and explore methods to reach agreement on development standards and planning and zoning requirements as contained in GC §56425. If an agreement is reached between the city and County the agreement shall be forwarded to LAFCo. The Commission shall consider and adopt a sphere of influence for the city consistent with the policies adopted by LAFCo and the County, and LAFCo shall give great weight to the agreement to the extent that it is consistent with LAFCo policies in its final determination of the city sphere.

### 10.1.12 Areas of Interest

LAFCo may, at its discretion, designate a geographic area beyond the sphere of influence as an Area of Interest to any local agency.

- a) An Area of Interest is a geographic area beyond the sphere of influence in which land use decisions or other governmental actions of one local agency (the "Acting Agency") impact directly or indirectly upon another local agency (the "Interested Agency"). For example, approval of a housing project developed to urban densities on septic tanks outside the city limits of a city and its sphere of influence may result in the city being forced subsequently to extend sewer services to the area to deal with septic failures and improve city roads that provide access to the development. The city in such a situation would be the Interested Agency with appropriate reason to request special consideration from the Acting Agency in considering projects adjacent to the city.
- b) When LAFCo receives notice of a proposal from another agency relating to the Area of Concern, LAFCo will notify the Interested Agency and will consider its comments.
- c) LAFCo will encourage Acting and Interested Agencies to establish Joint Powers Agreements or other commitments as appropriate.

## 4.2 Existing Sphere of Influence

The PVID's SOI was originally established by the Commission in 1995 via LAFCo Resolution No. 95-3 and was last updated by LAFCo in 2016 (Figure 1-21). The SOI currently covers an additional 16,074 acres surrounding the District's jurisdictional boundary.

### 4.2.1 Study Areas

Study areas are unique to a specific agency and are used to define the extent of one or more locations for SOI analysis purposes. Study areas may be created at different levels of scope and/or specificity based on the circumstances involved. The following descriptions demonstrate the array of scenarios that may be captured by a SOI study area.

- An area with clear geographic boundaries and scope of service needs based on years of interagency collaboration or public engagement and a project ready for grant funding or implementation.
- An area involving broader community regions or existing residential subdivisions with a large or long-term vision in need of fostering and/or establishing interagency partnerships.
- An area in early stages of conception that is not currently geographically well-defined and generally involves one or more ideas identified by agency or community leaders needing further definition.
- An area geographically defined by a gap between the boundaries of existing public service providers.
- An area adjacent to an existing agency's boundary slated for development needing urban services.

Study areas can result in a proposed SOI or sphere expansion area or the designation of an Area of Interest to earmark areas for enhanced interagency coordination or for future SOI consideration.

There are no study areas that have been identified for the District at the time of the preparation of the report.

### 4.2.2 Area of Interest Designation

LAFCo's Area of Interest Policy, per Section 10.1.12, provides for the designation or identification of unincorporated areas located near to, but outside the jurisdictional boundary and established SOI of a city or district, in which land use decisions or other governmental actions of another local agency directly or indirectly impact the subject local agency.

An Area of Interest (AOI) designation serves as a compromise approach that recognizes situations involving challenging boundary or municipal service delivery considerations, or for which urbanization may be anticipated in the intermediate or long-range planning horizons. It is a tool intended to enhance communication and coordination between local agencies.

An AOI designation is most helpful when the County and city or district can reach agreement that development plans within a LAFCo-designated AOI will be treated the same as if these areas were within the city or district SOI boundary, particularly regarding notifications and consideration of input from the city or district.

There are currently a number of properties located in the southeast portion of Potter Valley, outside District boundaries, that are on a waiting list seeking annexation to obtain water service from the District. However, the District's annexation moratorium has prevented any further movement on the topic. The properties on the waiting list could be considered AOIs for the District should water availability become more stable in the future and the annexation moratorium is lifted.

### 4.3 Proposed Sphere of Influence

There are no proposed changes to the SOI with this Update. The District and LAFCo staff recommend the Commission affirm the existing sphere (Figure 1-2).

### 4.4 Consistency with LAFCo Policies

Mendocino LAFCo has established local policies to implement its duties and mandates under the CKH Act. This section identifies potential inconsistencies between the proposed SOI and local LAFCo policies.

The proposed District SOI is consistent with Mendocino LAFCo Policies (see Section 4.1 for SOI policies).

### 4.5 Determinations

In determining the SOI for an agency, LAFCo must consider and prepare written determinations with respect to five factors as outlined in GC §56425I. These factors are as follows:

1. The present and planned land uses in the area, including agricultural and open space lands;
2. The present and probable need for public facilities and services in the area;
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency; and
5. The present and probable need for public facilities and services (including sewers, municipal and industrial water, or structural fire protection) of any disadvantaged unincorporated communities within the existing Sphere of Influence.

#### 4.5.1 Present and Planned Land Uses

The primary land uses within the District service area are described in Section 2.5. The District service area encompasses the community of Potter Valley which is a CDP with a downtown area that includes commercial operations, a school, a post office, a health clinic, and other uses. The remainder and majority of the District's service area is mainly agricultural, with grazing lands, vineyards and orchards covering most of the valley floor. Residential ranchettes of 5 to 10 acre lots are situated in and around these farm sites, and the valley floor rapidly transitions to upland forests and rural grazing lands. Future growth and development within the District is subject to Mendocino County land use regulations. The anticipated growth of the District is limited to the development of mostly already built out commercial and rural residential areas located in Potter Valley. A majority of the land within the District is agricultural in use, and therefore future development of this land is not anticipated. Additionally in 1999, in response to an uncertainty in capacity, the District imposed a moratorium on annexation of any lands into the District, thus limiting new customers. This moratorium is still in place today and ensures that the District does not have to worry about accommodating any future growth.

#### 4.5.2 Present and probable need for facilities and services in the area

Within the PVID service area, the District provides irrigation water services to approximately 275 customers on a total of 6,966.1 acres. Given the current water service moratorium and anticipated low growth rate throughout the County, the need for services presently provided by the District are expected to remain fairly consistent for the foreseeable future. More notably, however, as described in Section 3.1.2.1 and 3.1.2.2, the current status of the PVP and the imminent surrender and decommissioning of

the PVP infrastructure including the Scott Dam, Lake Pillsbury, the water diversion infrastructure connected to the Russian River, and the powerhouse could all potentially be dismantled. Discussions between the ERPA and PG&E about asset transfer and coordination of decommissioning activities and refurbishment of the diversion are still ongoing. PG&E and the ERPA will enter into legal agreements addressing construction obligations, permitting, and facility transfers as needed. In addition, PG&E will attempt to enter into legal agreements with other agencies and parties where their interest related to the Potter Valley facility removal fall outside of the FERC Surrender proceeding. It is worth noting that the schedule and events associated with the PVP decommissioning could be modified as time goes on. The District is working closely with the appropriate parties to assess the future service and infrastructure needs of the District in response to the relicensing conflict.

#### **4.5.3 The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide**

Based on information provided by the District regarding facilities, management practices, accountability, and financing, PVID's service is adequate. However, up until April of 2022 the District had relied on their long-standing contract with PG&E to divert water for its customers via the PVP which is now operating on an annual basis since the license expired. The imminent surrender and decommissioning of the PVP will likely have a significant impact on PVID's ability to provide irrigation water services.

The District has been actively involved in multi-agency and organization efforts to identify and develop plans for a post-PVP conditions for the continued diversion of water from the Eel River to meet consumptive needs in the Russian River system, which effects not only the PVID, but the Ukiah Valley and several counties that rely on diverted water stored in Lake Mendocino.

#### **4.5.4 The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency**

The District is located within the unincorporated Mendocino County and consists primarily of agricultural lands and the small community of Potter Valley. It is geographically isolated from other communities east of Redwood Valley and north of Highway 20 on the eastern edge of Mendocino County. There are currently a number of properties located in the southeast portion of Potter Valley, outside District boundaries, that are on a waiting list seeking annexation to obtain water service from the District. However, the District's annexation moratorium has prevented any further movement on the topic.

#### **4.5.5 The present and probable need for public facilities and services of any disadvantaged unincorporated communities**

The District serves the unincorporated community of Potter Valley. Because the District encompasses the whole Potter Valley CDP. The MHI within the CDP is \$76,250 (US Census, 2023C), which is just below the statewide MHI Threshold and is therefore also considered to be a DUC. The District spans across only one zip code, 95469, which has a population of 1,323 (622 households) and a MHI of \$61,500 (Census Reporter, 2023); and the census tract that the District is located within, Census Tract 108.02, has a population of 1,548 (697 households) and a MHI of \$57,163 (Census Reporter, 2023) By both of these measures the District would still be considered to be located within DUC territory. The residents within Potter Valley receive adequate services with respect to fire, which is provided by Potter Valley Community



Services District which serves as the umbrella agency for the Potter Valley Volunteer Fire Department<sup>13</sup>. There are no drinking water services provided in the region, properties within the District boundaries utilize well water. According to data sourced from the State Department of Water Resources (DWR), the District spans across approximately 24 Public Land Survey Sections, which are documented as having approximately 292 domestic wells<sup>14</sup>. With respect to wastewater, properties utilize onsite septic systems for their wastewater needs. While the Potter Valley CDP qualifies as a DUC under this methodology, the community is currently receiving adequate essential municipal services of fire, water, and wastewater.

#### 4.5.6 Recommendation

Pursuant to The California Water Code (GC §20500), the Commission does hereby confirm the functions and classes of services provided by the Potter Valley Irrigation District as limited to the supply of water for irrigation purposes.

As an irrigation district, the PVID is responsible for providing irrigation water delivery for agricultural uses, thereby indirectly helping to maintain land in productive use for agriculture. While there is land outside the current district boundary and within the current SOI that could be irrigated, the 1998 moratorium precludes any annexation of lands. The District maintains a priority list of requests for annexation in the event future water conditions change. PVID Bylaws and recorded stipulations prohibit delivery of water outside of district boundaries.

When the present SOI was established, an environmental review and master plan for service were conducted. As discussed previously, the District has indicated no interest in modifying its current SOI. Given the uncertainties of the District's water supply and operations post-PVP, and that the District is the only irrigation water supplier in the area, LAFCo staff recommends no change to the current SOI.

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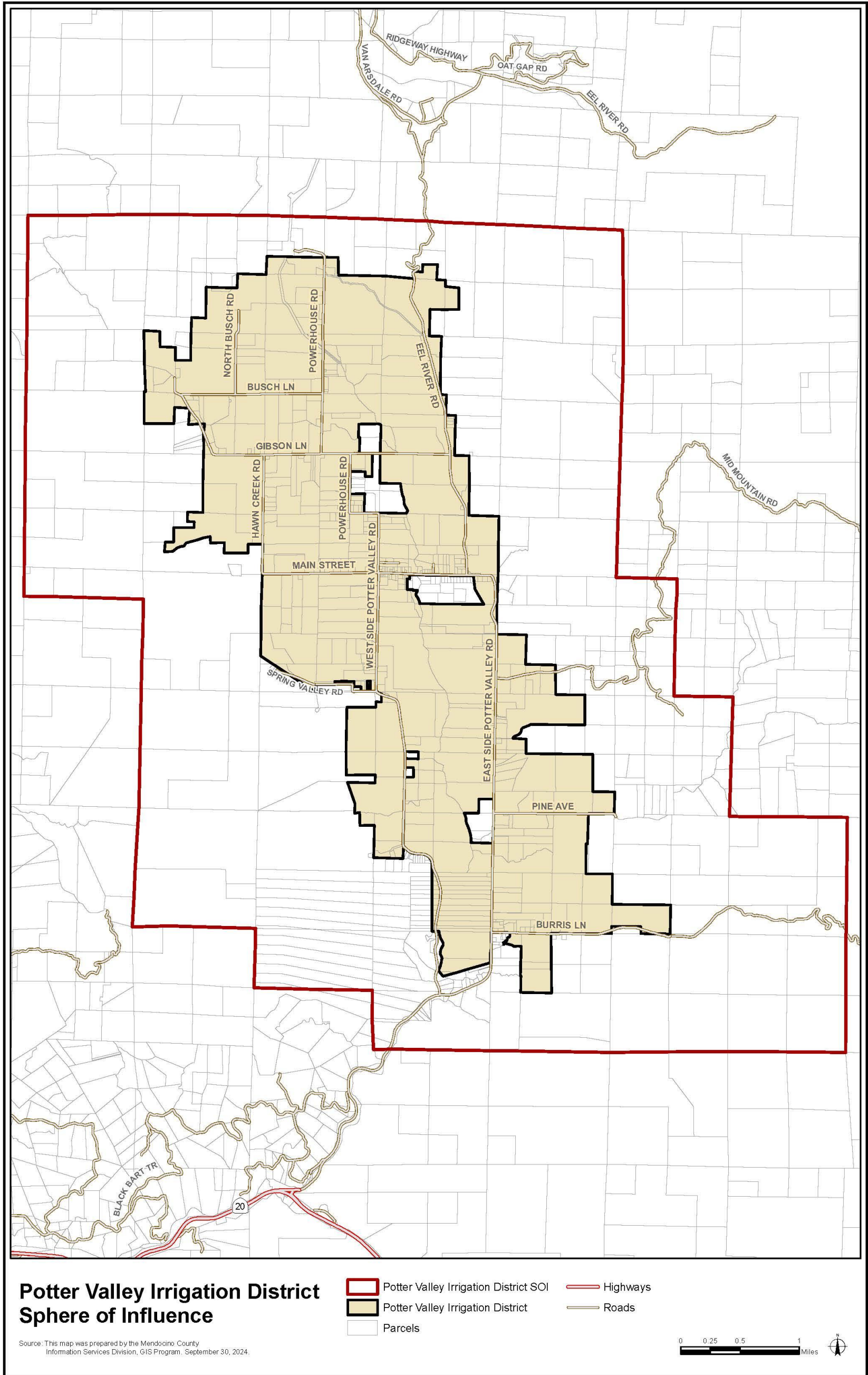
<sup>13</sup> Source is the 2018 Mendocino LAFCo Multi-District Fire Protection Services SOI found here:

<https://www.mendolafco.org/files/01d2409c9/Multi-District+Fire+SOI+Update+Adopted+FINAL.pdf>

<sup>14</sup>Well Completion Report Map Application data can be found here:

<https://dwr.maps.arcgis.com/apps/webappviewer/index.html?id=181078580a214c0986e2da28f8623b37>

Figure 4-1: PVID Proposed Sphere of Influence and Area of Interest



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## 6 ACKNOWLEDGEMENTS

### 6.1 Report Preparation

This Municipal Service Review and Sphere of Influence Update was prepared by Hinman & Associates Consulting, Inc., contracted staff for Mendocino LAFCo.

Uma Hinman, Executive Officer  
Spencer Richard, Analyst  
Jen Crump, Analyst

### 6.2 Assistance and Support

This Municipal Service Review and Sphere of Influence Update could not have been completed without the assistance and support from the following organizations and individuals.

Potter Valley Irrigation District	Steven Elliott, Superintendent (retired) Don Brown, Superintendent
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## 7 APPENDICES

### 7.1 Appendix A– Open Government Resources

The purpose of this appendix is to provide a brief list of some educational resources for local agencies interested in learning more about the broad scope of public interest laws geared towards government transparency and accountability. This appendix is not intended to be a comprehensive reference list or to substitute legal advice from a qualified attorney. Feel free to contact the Mendocino LAFCo office at (707) 463-4470 to make suggestions of additional resources that could be added to this appendix.

The websites listed below provide information regarding the following open government laws: (1) **Public Records Act** (Government Code §6250 et seq.), (2) **Political Reform Act** – Conflict-of-Interest regulations (Government Code §81000 et seq.), (3) **Ethics Principles and Training** (AB 1234 and Government Code §53235), (4) **Brown Act** – Open Meeting regulations (Government Code §54950 et seq.), and (5) **Online Compliance** regulations (Section 508 of the US Rehabilitation Act and Government Code §11135).

- Refer to the State of California Attorney General website for information regarding public access to governmental information and processes at the following link: <https://oag.ca.gov/government>.
- Refer to the State of California Attorney General website for information regarding Ethics Training Courses required pursuant to AB 1234 at the following link: <https://oag.ca.gov/ethics>.
- The Fair Political Practices Commission (FPPC) is primarily responsible for administering and enforcing the Political Reform Act. The website for the Fair Political Practices Commission is available at the following link: <http://www.fppc.ca.gov/>.
- Refer to the California Department of Rehabilitation website for information regarding Section 508 of the US Rehabilitation Act and other laws that address digital accessibility at the following link: <http://www.dor.ca.gov/DisabilityAccessInfo/What-are-the-Laws-that-Cover-Digital-Accessibility.html>.
- Refer to the Institute for Local Government (ILG) website to download the Good Governance Checklist form at the following link: [www.ca-ilg.org/post/good-governance-checklist-good-and-better-practices](http://www.ca-ilg.org/post/good-governance-checklist-good-and-better-practices).
- Refer to the Institute for Local Government (ILG) website to download the Ethics Law Principles for Public Servants pamphlet at the following link: [www.ca-ilg.org/node/3369](http://www.ca-ilg.org/node/3369).
- Refer to the Institute for Local Government (ILG) website for information regarding Ethics Training Courses required pursuant to AB 1234 at the following link: <http://www.ca-ilg.org/ethics-education-ab-1234-training>.
- Refer to the California Special Districts Association (CSDA) website for information regarding online and website compliance webinars at the following link: <http://www.csdanet.net/tag/webinars/>.

## 7.2 Appendix B – Website Compliance Handout

# Appendix B

## California Website Compliance Checklist

Use this checklist to keep your district's website compliant with State and Federal requirements.

### Public Records Act

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SB 929

**Our district has created and maintains a website**

Passed in 2018, all independent special districts must have a website that includes contact information (and all other requirements) by Jan. 2020

SB 272

**Our Enterprise System Catalog is posted on our website**

All local agencies must publish a catalog listing all software that meets specific requirements—free tool at [getstreamline.com/sb272](http://getstreamline.com/sb272)

AB 2853 (optional):

**We post public records to our website**

This bill allows you to refer PRA requests to your site, if the content is displayed there, potentially saving time, money, and trees

### The Brown Act

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AB 392:

**Agendas are posted to our website at least 72 hours in advance of regular meetings, 24 hours in advance of special meetings**

This 2011 update to the Act, originally created in 1953, added the online posting requirement

AB 2257:

**A link to the most recent agenda is on our home page, and agendas are searchable, machine-readable and platform independent**

Required by Jan. 2019—text-based PDFs meet this requirement, Microsoft Word docs do not

### State Controller Reports

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Financial Transaction Report:

**A link to the Controller's "By the Numbers" website is posted on our website**

Report must be submitted within seven months after the close of the fiscal year—you can add the report to your site annually, but posting a link is easier

Compensation Report:

**A link to the Controller's PublicPay website is posted in a conspicuous location on our website**

Report must be submitted by April 30 of each year—you can also add the report to your site annually, but posting a link is easier

### Healthcare District Websites

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AB 2019:

**If we're a healthcare district, we maintain a website that includes all items above, plus additional requirements**

Including budget, board members, Municipal Service Review, grant policy and recipients, and audits

### Open Data

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AB 169:

**Anything posted on our website that we call "open data" meets the requirements for open data**

Defined as "retrievable, downloadable, indexable, and electronically searchable; platform independent and machine readable" among other things

### Section 508 ADA Compliance

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CA gov code 7405:

**State governmental entities shall comply with the accessibility requirements of Section 508 of the federal Rehabilitation Act of 1973**

Requirements were updated in 2018—if you aren't sure, you can test your site for accessibility at [achecker.ca](http://achecker.ca)



**California Special Districts Association**  
*Districts Stronger Together*

[csda.net](http://csda.net)



[getstreamline.com](http://getstreamline.com)



# The Brown Act: new agenda requirements

Tips for complying with AB 2257 by January, 2019

## Placement:

**What it says:** An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda.

**What that means:** Add a link to the **current agenda directly to your homepage**. It cannot be in a menu item or otherwise require more than a single click to open the agenda.

## Exception:

**What it says:** A link to the agenda management platform may be added to the home page instead of a link directly to the current agenda, if the agency uses an integrated agenda management platform that meets specified requirements, including, among others, that the current agenda is the first agenda available at the top of the integrated agenda management platform.

**What that means:** If you use an agenda management system, you may add a link to that system directly to your homepage (again, not in a menu item), if the format of the agenda meets the requirements below, and if the current agenda is the first at the top of the list.

## Format:

**What it says:** [agenda must be] Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications. Platform independent and machine readable. Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

**What that means:** You cannot add Word Docs or scanned (image-based) PDFs of your agenda to your website—Word Docs are not platform independent (the visitor must have Word to read the file), and scanned PDFs are not searchable. Instead, **keep your agenda separate from the packet** and follow these steps:

1. From Word or other document system: Export agenda to PDF
2. Add that agenda to your website (or to your agenda management system), and include a link to that agenda on your homepage
3. Then, you can print the agenda, add it to your pile of documents for the packet, and scan that to PDF - just keep the packet separate from the agenda (only the agenda must meet AB 2257)
4. Keep the link on the homepage until the next agenda is available, then update the link

Questions? Contact [sloane@getstreamline.com](mailto:sloane@getstreamline.com) or [dillong@csga.net](mailto:dillong@csga.net)



# California 2024 Web Accessibility Checklist

*Updated May 1, 2024. Download the latest at [getstreamline.com/ada](https://getstreamline.com/ada)*

Congratulations on your commitment to ensuring that your district's website is accessible to your entire community, including those with disabilities. This checklist will help you ensure compliance with **The Unruh Act** and **AB 434**.

## Before you begin

- Perform an initial scan to check for known issues using [checkmydistrict.org](https://checkmydistrict.org) or another tool
- Have your website provider's contact information to report any issues

## One-time actions - examples available at <https://getstreamline.com/accessibility-policy>

1. **Designate an accessibility officer** - We have designated one staff member as the accessibility officer who will be the go-to contact for accessibility issues.
2. **Approve an accessibility policy** - Our board has approved an accessibility policy that includes the level of accessibility you are adhering to, like WCAG 2.1 AA.
3. **Create and post an accessibility page** - We have created a dedicated accessibility website page to house all accessibility-related content, including the policy and plan. If we have components that are not yet compliant, we have added information about our remediation plan and timeline to get compliant.
4. **Create a process for community concerns** - We have a process in place where a community member can submit a concern via form, phone number, and/or email address.
5. **Enable closed captions on your videos** - Our videos all have closed captions, and we have a process for including closed captions in future videos. (YouTube includes this for free when enabled. [Learn how](#). It is important that a human verifies the general accuracy of the captions.)

## Ongoing actions - recommended once per month

6. **Scan your website pages each month** - We have scanned every page of our website, every page has a score and list of issues to remediate. Free tools include [checkmydistrict.org](https://checkmydistrict.org), Google Chrome Lighthouse (F12 will activate), and [wave.webaim.org](https://wave.webaim.org). Demand your web developer address any issues that arise.
7. **Check your attachments**. We have checked all of our attachments and we have removed or added a written a disclaimer for any third-party attachments that we are unable to remediate.
8. **Perform remediations** - We have taken action to fix issues detected by a scan/reported by our community

## Other actions to consider

- **Third-party ADA audit** - larger districts should consider hiring an outside firm to conduct an audit. Manual testing by users with disabilities is the gold standard to ensure access.
- **Indemnification** - Choosing a platform or insurance that indemnifies or insures you against the risk of fines

\*Remember, Streamline is only a software company, and Streamline's templates and guides are not a substitute for getting your own competent legal advice.

### 7.3 Appendix C – Housing Legislation Trends and Results

#### Mendocino County and ADUs

In response, the County of Mendocino has taken a number of steps to facilitate ADU construction and operation in an attempt to address the local housing crisis. This includes adopting an ADU ordinance which outlines specific development standards. Another General Plan update was adopted on 11/9/2021 which amended the Coastal Zoning Code component of the Local Coastal Plan to establish and revise standards for Accessory Dwelling Units in the Coastal Zone.

Because Potter Valley is located in the Inland Zone of the County it is subject to inland specific ADU regulations. Per Section 20.458.040 - Public Health and Safety Requirements, of the County's Municipal Code, both an adequate water supply and sewage capacity must be available to serve the proposed new residence as well as existing residences on the property. Most notably, if the property is located in a service district (such as Potter Valley), the property owner must provide written approval from the service district specifically authorizing the connection of the ADU.

With respect to coastal resource protections, ADUs and JADUs are subject to additional requirements that impact the viability of their development. Some of the most pertinent requirements can be found in Section 20.458.045 of the County's Municipal Code.

#### The Larger Picture

As for how ADUs fit into the larger picture of the Mendocino County population trends, the housing data provided in the County's General Plan Annual Progress Report (APR) provides a reliable snapshot. Required by the Governor's Office of Planning and Research (OPR) and the State's Department of Housing and Community Development (HCD), every jurisdiction is required to provide an annual report detailing the progress made towards implementing their housing element and meeting their RHNA allocations.

The data provided in the most recent APR for Unincorporated Mendocino County (adopted June 6<sup>TH</sup>, 2023 by the Board of Supervisors) suggests that despite strict development regulations in some places, ADUs are certainly a factor in local housing development trends. Out of the 143 housing development applications received in the 2022 reporting year, 38 were for ADUs; in 2021 a total of 102 housing development applications were received, of which 35 were for ADUs. This small number of ADUs compared to single-family home applications suggests that there could continue to be some limited development of ADUs throughout the unincorporated areas of the County. However, any new development requires written approval from the service provider to authorize services.

#### Regional Housing Needs Allocation (RHNA)

It is worth noting that in response to statutory requirements, policy direction from the State of California Department of Housing and Community Development (HCD), and mandated deadlines for delivery of housing need allocation numbers to local jurisdictions within Mendocino County, the Mendocino Council of Governments (MCOG) adopted a Regional Housing Needs Plan in 2018.

Although MCOG does not typically deal with housing issues, they have been designated by HCD as the appropriate regional agency to coordinate the housing need allocation process. The political jurisdictions that comprise the region consist of the Mendocino County unincorporated area and the Cities of Ukiah, Fort Bragg, Willits and Point Arena.

The Regional Housing Needs Plan went through numerous iterations prior to being adopted which took into account different allocation factors for the methodology. Throughout the process, each member

jurisdiction provided statements of constraints to HCD which detailed the land-constraints that challenge residential development in unincorporated Mendocino County. Water resources and availability was cited by multiple MCOG member jurisdictions as a constraint and contributed to the adjustments made by the state on the region’s required housing allocations.

The RHNA allocations for Unincorporated Mendocino County are projected for a planning period between 8/15/2019 and 8/17/2027. Since adopting the Regional Housing Needs Plan in 2018 the County has made progress across all income levels; the number of housing units developed and how many remain with respect towards its RHNA allocation are detailed below broken down by income level and deed restricted versus non-deed restricted.

**Table 7-1: Mendocino County RHNA Allocations**

Income Level		RHNA Allocation	Projection Period - 01/01/2019-08/14/2019	2019	2020	2021	2022	Total Units to Date (All Years)	Total Remaining RHNA
Very Low	Deed Restricted	291	--	--	39	--	21	125	166
	Non-Deed Restricted		--	--	--	65	--		
Low	Deed Restricted	179	--	--	--	--	--	21	158
	Non-Deed Restricted		--	-	--	21	--		
Moderate	Deed Restricted	177	--	--	--	--	--	156	21
	Non-Deed Restricted		4	--	--	--	--		
Above Moderate		702	46	40	67	51	58	262	440
Total RHNA		1,349							
Total Units			50	60	149	186	119	564	785

\*Progress toward extremely low-income housing need, as determined pursuant to Government Code 65583(a)(1).

Extremely Low-Income Units*		145			15	26	21	62	83
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(HCD, 2023)

With respect to how RHNA requirements may affect Potter Valley, the State continues to push for more housing across the state. While there is not currently much left to develop under current regulations in Potter Valley, evolving legislation could allow for increased development potential that supports the State’s housing goals.

Additional Recent State Housing Legislation

While the state legislator has made a concerted effort to progress ADU development throughout the state, there have been numerous other housing bills passed in recent years aimed at addressing the housing affordability crisis.

- SB9 - Authorizes a property owner to split a single-family lot into two lots and place up to two units on each new lot. Therefore, the bill permits up to four units on properties currently limited to single-family houses. SB 9 also mandates that local agencies approve development projects that meet specified size and design standards.
- SB10 - Establishes a process for local governments to increase the density of parcels in transit-rich areas or on urban infill sites to up to 10 residential units per parcel. Such an ordinance must be adopted between Jan. 1, 2021, and Jan. 1, 2029, and is exempt from the California Environmental Quality Act(CEQA).
- SB35 - Applies in cities that are not meeting their Regional Housing Need Allocation (RHNA) goal for construction of above-moderate income housing and/or housing for households below 80% area median income. SB-35 amends Government Code Section 65913.4 to require local entities to streamline the approval of certain housing projects by providing a ministerial approval process.

## 7.4 Appendix D – District Financial Audits

	2023 ACTUAL	2023 BUDGET	2024 PROPOSED	2024 APPROVED
<b>Income</b>				
4000 · OPERATING INCOME				
4031 · IRRIGATION WATER	187,570.31	236,250.00	220,000.00	220,000.00
4032 · STANDBY CHARGES	55,787.59	55,800.00	55,800.00	55,800.00
4033 · PENALTIES	1,033.07	500.00	700.00	700.00
Total 4000 · OPERATING INCOME	244,390.97	292,550.00	276,500.00	276,500.00
4100 · OTHER INCOME				
4134 · INVESTMENT INCOME	12,579.03	500.00	5,000.00	5,000.00
4135 · COUNTY TAXES	481,710.95	460,000.00	460,000.00	460,000.00
4137 · MISCELLANEOUS	2,148.31	100.00	500.00	500.00
Total 4100 · OTHER INCOME	496,438.29	460,600.00	465,500.00	465,500.00
<b>Total Income</b>	<b>740,829.26</b>	<b>753,150.00</b>	<b>742,000.00</b>	<b>742,000.00</b>
<b>Expense</b>				
5100 · PURCHASED WATER	112,772.00	120,000.00	115,000.00	115,000.00
5300 · PUMPS/ELECTRIC - STAND BY	257.44	500.00	300.00	300.00
5500 · FUEL	21,850.58	20,000.00	22,400.00	22,400.00
5600 · TOOLS/EQUIPMENT	2,156.07	9,700.00	9,400.00	9,400.00
5700 · MAINT/SUPPLIES				
5701 · OFFICE	6,746.34	6,000.00	7,000.00	7,000.00
5702 · GENERAL MAINTENANCE	9,374.83	8,100.00	9,600.00	9,600.00
5703 · VEH/EQUIPMT	8,113.08	8,300.00	6,650.00	6,650.00
5704 · CANAL MAINTENANCE	25,877.14	24,000.00	20,000.00	20,000.00
5705 · WEED MAINTENANCE	405.12	2,400.00	2,400.00	2,400.00
Total 5700 · MAINT/SUPPLIES	50,516.51	48,800.00	45,650.00	45,650.00
6300 · LEGAL/PROFESSIONAL	9,200.00	95,250.00	17,900.00	17,900.00
6400 · PVP LICENSING COSTS	50,000.00			
6560 · PAYROLL EXPENSES				
6561 · WAGES	338,637.99	352,500.00	370,750.00	370,750.00
6562 · EMPLOYER TAXES	34,465.93	35,000.00	37,000.00	37,000.00
6563 · PEOPLE KEEP HRA	8,836.93	16,300.00	13,600.00	13,600.00
Total 6560 · PAYROLL EXPENSES	381,940.85	403,800.00	421,350.00	421,350.00
6700 · TRAVEL	360.00	400.00	400.00	400.00
6900 · ELECTRICITY - SHOP/OFFICE	2,958.74	2,100.00	3,000.00	3,000.00
6950 · SOLID WASTE	394.00	500.00	500.00	500.00
6960 · INTERNET/WEBSITE				
6961 - INTERNET	1,320.00	700.00	1,200.00	1,200.00
6962 - WEBSITE	1,877.79	1,700.00	1,800.00	1,800.00
TOTAL 6969 - INTERNET/WEBSITE	3,197.79	2,400.00	3,000.00	3,000.00
7000 · TELEPHONE				
7001 · OFFICE PHONE	1,577.93	1,000.00	1,000.00	1,000.00
7002 · CELL PHONES	3,189.97	3,200.00	3,200.00	3,200.00
Total 7000 · TELEPHONE	4,767.90	4,200.00	4,200.00	4,200.00
7200 · INSURANCE/LIABILITY	14,692.85	15,000.00	16,000.00	16,000.00
7300 · INSURANCE/COMP	9,328.96	10,500.00	12,600.00	12,600.00
7600 · MISC. EXPENSES				
7601 · FEES	15,132.91	14,000.00	15,000.00	15,000.00
7605 · CLASSES/TRAINING	650.00	1,000.00	500.00	500.00
7606 · OTHER EXPENSE	2,046.19	-	0.00	0.00
7607 · MC PROP TAX ADMIN	10,230.58	5,000.00	10,000.00	10,000.00
Total 7600 · MISC. EXPENSES	28,059.68	20,000.00	25,500.00	25,500.00
<b>Total Expense</b>	<b>692,453.37</b>	<b>753,150.00</b>	<b>742,000.00</b>	<b>742,000.00</b>
<b>Net Income</b>	<b>48,375.89</b>			

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2023

ASSETS

Current assets:		
Cash and cash equivalents (Note 3)		\$ 336,417
Investments (Note 3)		278,180
Accounts receivable		<u>84,478</u>
Total current assets		699,075
Capital assets, at cost (Note 4)	\$2,139,137	
Less, accumulated depreciation	<u>1,220,160</u>	
	918,977	
Work in progress	<u>1,964</u>	
		<u>920,941</u>
		<u>\$1,620,016</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable and accrued liabilities		\$ 2,744
Accrued vacation		<u>16,993</u>
Total current liabilities		19,737
Net position:		
Net investment in capital assets	\$ 920,941	
Restricted	-	
Unrestricted	<u>679,338</u>	
		<u>1,600,279</u>
		<u>\$1,620,016</u>

See notes to financial statements



POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
for the year ended December 31, 2023

Operating revenues:		
Water services		\$ 187,570
Standby charges		55,788
Other		<u>3,181</u>
Total operating revenues		246,539
Operating expenses:		
Source of supply	\$ 130,858	
Transmission and distribution	423,385	
Administrative	89,931	
Depreciation	<u>78,709</u>	
Total operating expenses		<u>722,883</u>
Operating loss		( 476,344)
Non-operating income (expenses):		
Property tax revenue	481,711	
Interest income	148	
Unrealized investment income	14,483	
Unrealized investment loss	( 2,052)	
Licensing costs	<u>( 50,000)</u>	
		<u>444,290</u>
Income (loss) before contributions		( 32,054)
Capital contributions		<u>-</u>
Change in net position		( 32,054)
Total net position:		
Beginning		<u>1,632,333</u>
Ending		<u>\$1,600,279</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended December 31, 2023

Cash flows from operating activities:		
Receipts from customers		\$ 277,108
Payments to suppliers		( 271,434)
Payments to employees		<u>( 369,405)</u>
Net cash provided to operating activities		( 363,731)
Cash flows from noncapital financing activities:		
Receipts from property taxes and other operating income		481,711
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$( 55,466)	
Licensing costs	<u>( 50,000)</u>	
		( 105,466)
Cash flows from investing activities:		
Investment income	148	
Unrealized investment gain	<u>12,431</u>	<u>12,579</u>
Net increase in cash and cash equivalents		25,093
Cash and cash equivalents:		
Beginning of year		<u>589,504</u>
End of year		<u>\$ 614,597</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS, continued  
for the year ended December 31, 2023

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income (loss)		\$( 476,344)
Adjustments to reconcile operating loss to net cash provided to operating activities:		
Depreciation expense	\$ 78,709	
Changes in operating assets and liabilities:		
Accounts receivable	33,750	
Accounts payable and accrued liabilities	( 1,568)	
Accrued vacation	<u>1,722</u>	
		<u>112,613</u>
Net cash provided to operating activities		<u>\$( 363,731)</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2022

ASSETS

Current assets:		
Cash and cash equivalents (Note 3)	\$	323,755
Investments (Note 3)		265,749
Accounts receivable		<u>118,228</u>
Total current assets		707,732
Capital assets, at cost (Note 4)	\$2,066,090	
Less, accumulated depreciation	<u>1,167,370</u>	
	898,720	
Work in progress	<u>45,464</u>	
		<u>944,184</u>
		<u>\$1,651,916</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable and accrued liabilities	\$	4,312
Accrued vacation		<u>15,271</u>
Total current liabilities		19,583
Net position:		
Net investment in capital assets	\$	944,184
Restricted		-
Unrestricted		<u>688,149</u>
		<u>1,632,333</u>
		<u>\$1,651,916</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
for the year ended December 31, 2022

Operating revenues:		
Water services		\$ 231,614
Standby charges		55,793
Other		<u>801</u>
Total operating revenues		288,208
Operating expenses:		
Source of supply	\$ 123,078	
Transmission and distribution	383,245	
Administrative	80,810	
Depreciation	<u>76,871</u>	
Total operating expenses		<u>664,004</u>
Operating loss		( 375,796)
Non-operating income (expenses):		
Property tax revenue	463,901	
Interest income	160	
Unrealized investment income	5,621	
Unrealized investment loss	( 15,040)	
Licensing costs	( 50,000)	
Loss on asset disposal	<u>( 19,858)</u>	
		<u>384,784</u>
Income (loss) before contributions		8,988
Capital contributions		<u>-</u>
Change in net position		8,988
Total net position:		
Beginning		<u>1,623,345</u>
Ending		<u>\$1,632,333</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended December 31, 2022

Cash flows from operating activities:		
Receipts from customers		\$ 226,968
Payments to suppliers		( 251,491)
Payments to employees		<u>( 329,152)</u>
Net cash provided to operating activities		( 353,675)
Cash flows from noncapital financing activities:		
Receipts from property taxes and other operating income		677,048
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$( 106,202)	
Licensing costs	<u>( 50,000)</u>	
		( 156,202)
Cash flows from investing activities:		
Investment income	160	
Unrealized investment loss	<u>( 9,419)</u>	<u>( 9,259)</u>
Net increase in cash and cash equivalents		157,912
Cash and cash equivalents:		
Beginning of year		<u>431,592</u>
End of year		<u>\$ 589,504</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS, continued  
for the year ended December 31, 2022

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income (loss)		\$( 375,796)
Adjustments to reconcile operating loss to net cash provided to operating activities:		
Depreciation expense	\$ 76,871	
Changes in operating assets and liabilities:		
Accounts receivable	( 61,240)	
Accounts payable and accrued liabilities	1,445	
Accrued vacation	<u>5,045</u>	
		<u>22,121</u>
Net cash provided to operating activities		<u>\$( 353,675)</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2021

ASSETS

Current assets:		
Cash (Note 3)		\$ 156,349
Investments (Note 3)		275,243
Accounts receivable		56,988
Taxes receivable		<u>213,147</u>
Total current assets		701,727
Capital assets, at cost (Note 4)	\$2,095,049	
Less, accumulated depreciation	<u>1,162,349</u>	
	932,700	
Work in progress	<u>2,011</u>	
		<u>934,711</u>
		<u>\$1,636,438</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable and accrued liabilities		\$ 2,867
Accrued vacation		<u>10,226</u>
Total current liabilities		13,093
Net position:		
Net investment in capital assets	\$ 934,711	
Restricted	-	
Unrestricted	<u>688,634</u>	
		<u>1,623,345</u>
		<u>\$1,636,438</u>

See notes to financial statements



POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
for the year ended December 31, 2021

Operating revenues:		
Water services		\$ 145,147
Standby charges		55,791
Other		<u>1,552</u>
Total operating revenues		202,490
Operating expenses:		
Source of supply	\$ 73,650	
Transmission and distribution	322,146	
Administrative	79,668	
Depreciation	<u>75,419</u>	
Total operating expenses		<u>550,883</u>
Operating loss		( 348,393)
Non-operating income (expenses):		
Property tax revenue	398,365	
Investment income	1,235	
Unrealized investment loss	( 1,947)	
Licensing costs	<u>( 50,000)</u>	
		<u>347,653</u>
Income (loss) before contributions		( 740)
Capital contributions		<u>-</u>
Change in net position		( 740)
Total net position:		
Beginning		<u>1,624,085</u>
Ending		<u>\$1,623,345</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended December 31, 2021

Cash flows from operating activities:		
Receipts from customers		\$ 226,785
Payments to suppliers		( 435,531)
Payments to employees		<u>( 250,853)</u>
Net cash provided to operating activities		( 459,599)
Cash flows from noncapital financing activities:		
Receipts from property taxes and other operating income		398,365
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$( 64,348)	
Licensing costs	<u>( 50,000)</u>	
		( 114,348)
Cash flows from investing activities:		
Investment income	1,235	
Unrealized investment loss	<u>( 1,947)</u>	
		( 712)
Net decrease in cash and cash equivalents		( 176,294)
Cash and cash equivalents:		
Beginning of year		<u>607,886</u>
End of year		<u>\$ 431,592</u>

See notes to financial statements

POTTER VALLEY IRRIGATION DISTRICT  
STATEMENT OF CASH FLOWS, continued  
for the year ended December 31, 2021

Reconciliation of operating income (loss) to net cash provided to operating activities:		
Operating income (loss)		\$( 348,393)
Adjustments to reconcile operating loss to net cash provided to operating activities:		
Depreciation expense	\$ 75,419	
Changes in operating assets and liabilities:		
Receivables	( 188,852)	
Accounts payable and accrued liabilities	( 1,581)	
Accrued vacation	<u>3,808</u>	
		( <u>111,206</u> )
Net cash provided to operating activities		\$( <u>459,599</u> )

See notes to financial statements