

MAUREEN MULHEREN  
Supervisor  
Second District



OFFICE PHONE: (707) 463-4221  
DIRECT LINE: (707) 391-3664  
OFFICE FAX: (707) 463-7237

MAILING ADDRESS:  
501 Low Gap Road, Room 1010  
Ukiah, CA 95482

**COUNTY OF MENDOCINO**  
BOARD OF SUPERVISORS  
501 Low Gap Road • Room 1010  
Ukiah, California 95482

Meeting Date: July 12, 2022

From: Supervisor Mulheren

To: Mendocino County Board of Supervisors

RE: Water Tax Proposal

Over the last few meetings, the Mendocino County Board of Supervisors has discussed the potential to fund water resources needs with a portion of the sunseting 3/8 cents Sales Tax from Measure B. The current tax in Unincorporated Mendocino County is 7.875%; 7.25% of that goes to the State, 0.125% goes to Libraries (roughly \$2 million), 0.5% goes to fund Measure B (Mental Health and Substance Use Ballot Measure). In 2022 Measure B will "sunset" 3/8 of that sales tax and the remaining 1/8 will be set aside for continued programming and Measure B related needs. This would not be a tax "increase" rather we would be asking the voters to repurpose the tax that they are currently paying at the register.

I purposed that we use the 3/8 sunset portion of Measure B dollars to fund Fire and Water Resource needs. As a reminder I suggested 60% of the estimated \$7 million be used for Fire Resources and 40% for Water Resources. At our last meeting the Board asked County Counsel to move forward with a resolution and ballot language for 1/4 (2/8) of a cent to be used for fire resources and fire prevention using my original language for distribution based on Prop 172 funds with 90% going directly to Fire Departments and 10% going to Fire Prevention.

Review of original Water Tax Proposal:

Method for the Distribution of Water Resiliency Funds

Based on an estimated \$2,800,000 annual revenue

A Water Technical Advisory Group (WTAG) shall be formed for the oversight of funds budgeted by the Board of Supervisors for water resiliency projects including planning and the development of capital

improvement projects and a plan of proposed expenditures, strategically looking at least 5 years out. This work plan should include projects from every area of the County on an annual basis. The WTAG shall be comprised of eight representatives, one from each of the four incorporated cities, one from the County of Mendocino, and two representatives from community services districts with latent water powers inland and on the coast, and one tribal member. Each of the organizations represented shall select its representative, and the representatives shall serve at the will and pleasure of the organization(s) they represent. Specific to the selection of representatives from the community services districts with latent water power, representatives shall be nominated and selected by a majority vote process to serve a four-year term. Prior to the annual release of funds for water resiliency projects, WTAG approved expenditures shall be submitted for review and approval by the County of Mendocino Board of Supervisors annually at a public meeting.

#### Accountability Resolution

While the revenue received by the County from Measure \_\_ Sales Tax is unrestricted general fund revenue, by this resolution, the County intends to use these revenues for fire services and water resiliency projects. The Measure \_\_ Sales Tax revenue would be distributed 60% for Fire Services and 40% for Water Resiliency Projects.

A. Accounting. In each fiscal year commencing with the 2022- 2023 fiscal year, for purposes of accounting for the use of these revenues, the County Auditor-Treasurer-Tax Collector shall place the Measure \_\_ Sales Tax revenue in separate designated accounts for Fire Services and Water Resiliency Projects within its budget and financial statements so that its use can be reviewed, audited and accounted for by the Board of Supervisors, Fire Districts, Water Resource Services and the public. These are to be tracked as additional funds and the existing funds should be maintained at their current level.

B. Review. Every year after the Effective Date of this Resolution, the Measure \_\_ revenues and expenditures will be reviewed by Board of Supervisors and will be available to review by the public through the County's budget document and website.

C. Accounts. All Measure \_\_ Sales Tax revenues and all interest on said revenues shall be credited to the designated funds or accounts and shall be designated for use in accordance with this resolution by the Auditor-Treasurer-Tax-Collector.

I was asked to meet with Supervisor Gjerde and the Executive Office Fiscal team to determine whether or not there were General Fund dollars available to fund our water resource needs. We met on June 24, 2022. We were not able to agree on a sustainable funding source.

I know that in the past when times got lean the Water Agency was placed in various departments without adequate funding to plan for drought and various water resiliency projects. The two years that I've been on the board we have been able to find money to fund our water resource needs by using General Fund dollars and PG&E settlement money. There is a remaining balance of close to \$1 million in PG&E fund set aside for drought projects (with the intent to seek grants to backfill the funds to the

PG&E fund item) and there's \$1.5 million set aside of PG&E funds for carbon reduction projects. Fortunately, last year the County team and consultants are able to leverage our General Fund dollars and the PG&E "loan" for the \$23 million in projects that were brought into the County last year. See attachment "Water Projects Funded by Applicant-DWR" to review the projects that were completed. This is only a small portion of our water resource needs. In your Board packet there is an Attachment "Project List 06.02021 Redacted" that outlines over 20 projects at a total cost of over \$30 million. That is just one years' worth of projects for which there was a limited time to gather information from every water district. Its important to note that many of those smaller projects are for our Tribal communities which would have a seat at the table for the Water Technical Advisory Group as presented at the last Board of Supervisors meeting related to the use of sunseting Measure B funds. SB552 will require an unfunded mandate that Counties create a County Drought & Water Shortage Task Force; this ballot measure could have used the WTAG to expand on that to include planning for future Water Resource needs. ("SB552 Counties Workshop 07.12.22 Agenda Item"). This template for a Water Technical Advisory Group can still be used to guide discussions within a County Water Agency. Some of the smaller projects might be able to proceed with grant funding but there are many Grants listed in the "Water Resources Funding Search 07.12.22 Agenda Item" attachment that would require the County to have a match.

#### Review of Drought Related Expenses per memo from the Executive Office Fiscal Team:

One of your colleagues requested the following information regarding drought related expenses which have been incurred this fiscal year and funding streams identified to cover these expenses.

#### Non-Grant Funding Streams

- General Fund allocated at Mid-Year - \$500,000
- PG&E Disaster Settlement Fund - \$810,305\*
- PG&E Disaster Settlement Fund - \$960,000\* for grant Matching
  - As of today no expenses have been applied to the \$960,000
  - During budget hearings, staff was directed to set aside \$250,000 of the \$960,000 for Water Agency/Water Funding

#### Expense

Total contracts/obligations applied to the funding as of today. Please note this is not the total expenses but is contracted/obligation amounts. If the contracts are not fully spent, the funding would revert back to PG&E funds to be spent as identified.

- LACO - Grant Writing Contract/Technical Assistance - \$50,000
- Engineer Solution Services - Grant Writing Contract - \$25,000
- Larry Walker Associates - Grant Writing Contract - \$25,000
- GEI Consultants Contract - Review Standalone Water Agency - \$306,808
- RGS (Josh Metz) Contract - \$75,000

- Mendocino County Resource Conservation District - Drought Support- \$25,000
- City of Ukiah – Water hauled to Fort Bragg - \$6,839
- Rental of Forklift for Bottled Water - \$103
- Contractors for Hauling of Water - \$282,896
  - Part of this we are anticipating will be able to be reimbursed by the DWR Grant, but as of today we have not yet been reimbursed for anything from this grant
- Set aside for water projects/agency - \$250,000

Total Funding - \$2,270,305

Total Contracts/Obligations - \$1,046,646

Remaining PG&E Funds - \$1,223,659\*

\*As a note, during the allocation of PG&E Funding, the Board noted it intended to pay back to the PG&E funds stream any expenses related to drought.

As an additional note - It is also the County's intention to file for CDAA to cover drought related expenses once the emergency has ended. If the County is awarded the CDAA, it would cover 75% of expenses incurred that are not paid by a grant.

In order to leverage funds to receive these grants last year the County spent just over \$1 million. It is my belief that if this Board were able to find \$1 million in available General Fund Revenue that would be a valuable asset to our community and we could leverage additional grant dollars, however I have been unable to find a way to reduce our services in the General Fund in order to meet this need. We start this fiscal year with a balanced budget, that was only possible with many rounds of negotiations with department heads to return with a leaner budget. The fact of the matter is that we are upside down in our health plan, have received only 1/4 of the projected cannabis taxes and have an obligation to create a new wing of our County jail, all in excess of \$10 million above our abilities. This doesn't include the very real need for IT upgrades and increasing revenue generating services such as Tourism, Property Tax and Sales Tax and the hard costs for the County this fire season. Beyond that, we have County employees and we need find ways to support their needs for the mandated services that they provide and offer them a wage that is sustainable for the County but also for the families of the employees. I really wish this were as simple as finding a few hundred thousand in the General Fund to support a Water Agency. Our water needs are not going away anytime soon, and we need to have a sustainable model for long term funding.

Below is a list of projects identified in the Water Agency study done by GEI.

Goal A: Water Resilience

Long-term planning

Effective Groundwater Management

Long-term investment in water reliability

Technical/Scientific Assistance to water systems for underserved communities

Goal B: Comply with Regulatory Mandates

Participation in the Ukiah Valley Basin Groundwater Sustainability Agency

Comply with Countywide Stormwater (MS4) Permit

Prepare for and respond to drought

Goal C: Coordination, Cooperation and Advocacy

Create a communication forum for water interests and include all water stakeholders

Advocate County water interests with State and Federal Legislators and Agencies

Support voluntary interconnections and consolidations to improve water security

Establish Mutual Aid Agreements among water agencies

Maintain and develop a clearinghouse for water data affecting the County

Goal D: Outreach and education

Conduct public outreach campaigns aligned with priority goals

Develop communication tools such as a web-based portal of information and social media

Lead and support water and drought education throughout the County

Goal E: Funding and Financing

Advocate, lead and prioritize studies and projects to position for grants

Lead and coordinate grant applications and grant management

Last year grants brought in \$23 million in water resources County wide, this system works to leverage State and Federal dollars

Areas of water resources that responded to the survey:

Coastal Basin; Pudding Creek, Wages Creek, Navarro watershed, Noyo River, North Fork Gualala River, Big River, Gualala River, Jug Handle Creek, Jack Peters Creek, Surfwood Estates

Countywide

Russian River Basin

Eel River Basin

"Other" including Eel River and Countywide, North Coast Region and Statewide

Some comments from respondents and myself regarding potential projects:

- Fort Bragg was impacted by the recent drought and could not serve the needs of the coastal area, including the Town of Mendocino as it had in the past. Fort Bragg had to cover its own water deficit and benefited from its visionary investment in desalination that helped to manage its own water shortage locally
- During this recent drought, the City of Ukiah came to the aid of coastal area where a number of local businesses relied upon hauled water and at least 35 wells within the Town of Mendocino were reported going dry due to extreme drought conditions
- Survey respondents commented that the area should have never found itself in the position described above and that it is critical that we prevent these circumstances from reoccurring. Knowing that climate change will undoubtedly put our water systems at greater risk, it is clear that we are not currently

prepared to address both the short- and long- term challenges faced by our water systems. Constituents are concerned that the Mendocino County agriculture provides significant tax revenue and is at risk if Russian River water supplies are curtailed.

- Climate resiliency: Lead in creating climate resiliency and safe and affordable water for drinking, farms , fire fighting and fish.
- Conservation: Reinforce water conservation and on-site rainwater harvest in greywater systems
- Education: Educate all beneficial users on better solutions for water management
- Fisheries: Protect fisheries which are on life support in some parts of the County and improve habitat and ethical harvesting to support the Blue Economy on the Coast
- Infrastructure: Invest in infrastructure water security
  - Connectivity: Identify, prioritize, and invest in infrastructure to create better connectivity among small water systems to help with water reliability (e.g. Town of Covelo, small systems) Create a centralized water distribution system of intertie interior with City of Ukiah
  - Emergency distribution: Create a distribution for firefighting
  - Recycled Water: Expand recycled water beyond Ukiah
- Potter Valley Project (PVP) Support: Support the Potter Valley Project (PVP) for the benefit of local, agriculture, the County and the General Fund. The PVP is the largest opportunity for future of the county's water supply. It is paramount to the main mission and goal.
- Planning: Create a long-term comprehensive water use and land use planning to meet County's projected demands.
- Prioritize Water Security: Restore the dignity of communities by prioritizing water security - is our obligation.
- Technical assistance: Develop the capability to provide technical assistance and conduct scientific studies; understand soil moisture and how we can better manage agricultural water resources through efficiency and technology
- Water Quality Actions: develop ordinances, monitor, report and collaborate with enforcement (State Board) to reduce illegal surface diversions and groundwater extraction/pumping impacts that otherwise result in environmental, water quality, and water supply impacts
- Monitoring: Prioritize tests for contaminants (such as arsenic in Round Valley) and monitor for constant that may be present in the increasing numbers of unregulated cannabis farms within the valley and watershed
- Enforcement: Collaborate with the State Water Resources Control Board on water quality enforcement
- Drought: Allocate resources for drought response
- Economic Development: Our Traditional Ag Industry contributes over \$222 million dollars to our economy and our Cannabis Industry contributes an estimated \$131 million
- When asked why the County of Mendocino "gave their water away" at Lake Mendocino we heard the answer that Coastal Supervisors didn't think it applied to them and didn't support finding ways to fund

the project. We have an opportunity to participate in raising the dam to retain more of the water for Mendocino County water resource needs, as a leader in my community I feel it is imperative to step up to fill this need

- Bring back recreation to Lake Mendocino, we lose an estimated \$16 million per year in revenue by not having the lake fully open to recreation
- Planning & Technical Assistance; Leverage Fort Bragg template on small-scale desalination (Noyo River) and implement at Township of Mendocino, increase agricultural efficiency, explained SGMA beyond UVGSBA to other “at risk” basins, Potter Valley (two basin solutions)/Eel River Diversion/Scotts Dam Removal, Improve coastal water supply (system from Cleone to Albion), Obtain more storage (e.g., Raise Coyote Dam; On-site Residential), Create interview between systems, Water conversation/Drought Preparedness
- Include Native American Tribes Stakeholders; include having representatives at higher/tech level, engage tribes in development of capacities of each of tribes
- We lack a consistent and proactive outreach and education approach to drought conditions, conservation, the interdependence of our shared water resource, safe drinking water
- Funding options outlined in the draft GEI report based on stakeholder assessment; State and Federal agencies, unite in a multi-jurisdictional approach, potential Grant Programs AB 200/Human Right to Water grants, Coastal Commission Resiliency grants, DAC Water Quality grants, DWR Multi-Benefit grant
- Propose a Ballot Measure

Please take a note of that last bullet point. Without additional funding from our residents the County of Mendocino simply does not have capacity to build out our water resources in a sustainable manner. If the Water Agency is able to be funded out of the General Fund that is very important and should happen but it doesn't meet the needs of our rural communities and the projects that they need to be supported either through direct grants or matching dollars.

Water gives us life; gives us economic development; provides housing for our residents and plans for generations into the future of Mendocino County. Utilizing the sunseting 1/8 cent of Measure B would have allowed residents to VOTE on whether or not they supported funding our water needs, including the very long list above, with a portion of the sales tax that they have already been contributing to the Measure B funds for the last five years.