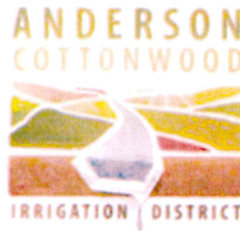


Dan Woolery, President
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Audie Butcher, Director
Ronnan Lund, Director
Jered Shipley, G.M.



Special Board Meeting

January 5, 2023

5 p.m.

Agenda

1. Call To Order

2. Flag Salute

3. Public Participation

Time set aside for members of the public that wish to address the Board regarding operations of the District within the jurisdiction of the Board. Individuals are requested to limit comments to a maximum of three minutes.

4. Business Items

- A. Appointment of Board Director
- B. Review and consider FY 2023 Draft Budget

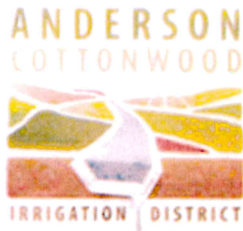
5. Other Business

- A. Review and Sign Scope of Work for Fiscal Year 2022 Audit to be performed by Robert W. Johnson Accountancy Corporation
- B. Discuss Committee Participation (NCWA, LAFCO, EAGSA, SRSC, WRMS)

6. Closed Session

- A. Conference With District Labor Negotiator Regarding Unrepresented Position of Operations Manager (Pursuant to Government Code Section 54957.6)

7. Adjourn



DATE January 5, 2023 | Agenda Item No. 4 A

Agenda Title: Discuss and consider methodology to fill open Board seat vacated by Ray Eliante's resignation; Consider Appointment to Fill Vacancy.

Discussion: At the conclusion of the November 10, 2022, ACID Board Meeting, District 4 Director Eliante submitted his Letter of Resignation to General Manager Jered Shipley. ACID Staff posted the vacancy on November 21, 2022, at four local businesses as well as on the front door of the ACID office. ACID has received two letters of interest from District 4 residents to fill the vacant seat. The ACID Board of Directors are authorized to appoint a person within 60 days of resignation to fill the vacated seat for the remainder of the term (2 years). If an appointment is not made within the 60-day period, the Board of Supervisors may appoint a person to fill the vacancy within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, or the city council or board of supervisors may order the district to call an election to fill the vacancy. (See attachment)

Fiscal Impact: None

Recommendation: Staff recommends the Board conduct short interviews with each of the interested parties, and upon completion of interviews, discuss and appoint one individual to the vacant District 4 Board seat.

Attachments:

- ACID Posting of Board Vacancy Notice
- Letter of Interest (Marsha Maraviov)
- Letter of Interest (Steve McCarley)
- Government Code Regarding Resignations and Vacancies

COUNTY OF SHASTA

NOTICE OF VACANCY

NOTICE IS HEREBY GIVEN, pursuant to Section 1780 of the Government Code, that a vacancy has occurred on the following board:

**Anderson-Cottonwood Irrigation District
Board of Directors, Division 4**

For further information regarding qualifications, please contact:

Name: Jered Shipley
Title: General Manager
2810 Silver Street
Anderson, CA 96007
530-365-7329
j.shipley@acidistrict.org



Terri White, Financial Manager
Anderson-Cottonwood Irrigation District

Vacancy Notice Posted:	November 21, 2022
Vacancy:	District 4
Date Appointment Can Be Made:	December 5th, 2022
Expiration of Term:	December 2024

FROM THE DESK OF
MARSHA MARAVIOV

20035 Gas Point Road, Cottonwood, CA 96002

DECEMBER 3, 2022

Jared Shipley
Anderson Cottonwood Irrigation District
2810 Silver Street
Anderson, CA 96007

Dear Mr. Shipley and The Board of Directors,

My name is Marsha Maraviov and I am interested in the open seat for district 4 on the board of directors.

I have sat on three separate boards over the years . Twice on the Trinity county Waterworks District #1 board which I was sitting on just prior to our moving to Cottonwood in June of 2021. I was on that board for a combined time of 19 years. I sat on the Trinity county Life Support board when it was just forming after a private company that provided ambulance service to the county abruptly left without notice and took all the equipment and moved their business else where, I was on that board for approximately 4 years, The meetings were in Weaverville 32 miles one way and were at night and I had a job that required me to be up early. The company was doing well and I felt it was time for someone else to join the board. And I was elected to the Mountain Valley Unified School District board of Directors. I served for approximately 10 years. I left that position because I felt it was time for someone with children to become involved with decisions and the direction the school was taking.

I have had about 6 sessions of training regarding the Brown Act. Three through the water District and three through the School district.

Sincerely yours,

Marsha Maraviov

530-348-2563 Home Phone



December 2022

To Whom it may concern:

It is with sincere delight I write this letter of recommendation for Marsha Maraviov. Marsha was a member of the Board of Trinity Co. Waterworks in 1982 when I started with the District. She served two terms with the Board and then took some time off, to start and run a family business. In 2009, I personally approached Marsha and ask her to consider once again to join the Board. At that time, the District was faced with several major topics ahead of us that needed calm, yet decisive decision making. I knew she would be perfect, and she was. She served an additional 12 years with us many of them as chairperson.

I was lucky enough to serve together with Marsha on the Board of Directors that formed the Trinity County Life Support District. This district still provides ambulance service to a major portion of Trinity County.

In the literally hundreds of meetings I attended with Mrs. Maraviov, she always arrived at the meetings, having already reviewed her board packet, and came prepared to discuss and intelligently debate every item.

You will not find a more loyal or dedicated person to serve than Marsha.

Craig J. Hair Jr.
District Manager
Trinity Co. Waterworks

Steve McCarley
19199 Condor Way
Cottonwood, Ca. 96022

December 13, 2022

Jared Shipley, Manager & Board of Directors for ACID,

I have been made aware of an opening for the board of directors in the division in which I reside and irrigate. After considerable consideration and conversations with several individuals the live and irrigate in my division I would like to be considered for the opening. As I understand it, I would be finishing the remaining term for the person that resigned.

Personal information: Steve McCarley, married to Paula McCarley for 36 years. We have four children and 9 grandchildren, all of which live in Northern California. We reside at 19199 Condor Way, Cottonwood, Ca. 96022 and have lived there for 20 years. Retired as of September 30, 2021. We currently run a small cow/calf operation in Cottonwood. My contact information, cell 530-356-2041, home 530-347-3434, email mccarleyranch@sbcglobal.net

Qualifications for board position: I was born in Cottonwood and have spent all but 8 years of my life residing in Cottonwood, and I care deeply about this area and this community. I owned and operated a successful business in Redding for 23 years with a budget from 12 to 25m annually and managed from 25 to 65 employees. I served on the Cottonwood Union School Board for 17 years and worked with our Superintendent, staff and 4 other board members on all aspects of running the district. My irrigation experience consists of irrigating 2 acres on Black Lane from 1991 to 2003, 10 acres at our current residence from 2003 to present and for the past 6 years irrigating approximately 80 acres on Gas Point Road. I have worked with several ditch tenders and all the past managers on a small level. I have done several projects with NRCS over the past several years.

Thank you for your consideration and I look forward to hearing from you. If you have any further questions, please feel free to contact me and I have a list of references upon request.

Sincerely,


Steve McCarley

GOVERNMENT CODE - GOV

TITLE 1. GENERAL [100 - 7931.000]

(Title 1 enacted by Stats. 1943, Ch. 134.)

DIVISION 4. PUBLIC OFFICERS AND EMPLOYEES [1000 - 3599]

(Division 4 enacted by Stats. 1943, Ch. 134.)

CHAPTER 4. Resignations and Vacancies [1750 - 1782]

(Chapter 4 enacted by Stats. 1943, Ch. 134.)

ARTICLE 2. Vacancies [1770 - 1782]

(Article 2 added by Stats. 1943, Ch. 134.)

1780.

(a) Notwithstanding any other provision of law, a vacancy in any elective office on the governing board of a special district, other than those specified in Section 1781, shall be filled pursuant to this section.

(b) The district shall notify the county elections official of the vacancy no later than 15 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later.

(c) The remaining members of the district board may fill the vacancy either by appointment pursuant to subdivision (d) or by calling an election pursuant to subdivision (e).

(d) (1) The remaining members of the district board shall make the appointment pursuant to this subdivision within 60 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later. The district shall post a notice of the vacancy in three or more conspicuous places in the district at least 15 days before the district board makes the appointment. The district shall notify the county elections official of the appointment no later than 15 days after the appointment.

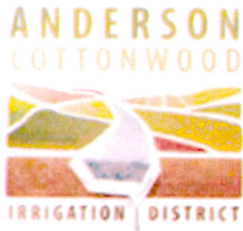
(2) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.

(3) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general district election, or if the vacancy occurs in the second half of a term of office, the person appointed to fill the vacancy shall fill the balance of the unexpired term of office.

(e) (1) In lieu of making an appointment the remaining members of the board may within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.

(f) (1) If the vacancy is not filled by the district board by appointment, or if the district board has not called for an election within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, then the city council of the city in which the district is wholly located, or if the district is not wholly located within a city, the board of supervisors of the county representing the larger portion of the district area in which the election to fill the vacancy will be held, may appoint a person to fill the vacancy within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, or the city council or board of supervisors may order the district to call an election to fill the vacancy.



DATE January 5, 2023 | Agenda Item No. 4 B

Agenda Title: Review and consider Draft Fiscal Year 2023 Financial Budget

Discussion: The District’s Fiscal Year begins January 1 and ends on December 31 annually. It has been common for staff to have a working draft budget for the upcoming year in or around the month of October. 2022 has had several unforeseen circumstances, including but not limited to no irrigation season, major staff turnover, revenue from water sales, substantial funds being used for vegetation management throughout the conveyance system, and multiple newly seated Board Directors. Subsequent to these circumstances, the District is in a never-before-seen situation, to make short- and long-term decisions to ensure the future financial security of the District and address many needs that may not have been able to be addressed in the past.

Update: At the December 8, 2022 ACID Board meeting, the draft budget was discussed and considered. After discussion, staff was directed to make some minor corrections and changes to the draft budget. Staff was also directed to add a proposed FY 2024 draft budget column as one approach to view how spending in FY 2023 would be reflected in FY 2024. Additionally, the Board directed staff to add a long-term financial strategy narrative to the draft budget summary document explaining the methodology to ensure future financial stability for the District.

Fiscal Impact: The District will have an estimated \$11 million dollars in reserve to begin Fiscal Year 2023. The fiscal impact will be determined once the Board has an opportunity to review, comment, consider and ultimately approve the FY 2023 Budget.

Update: At the December 12, 2023 Sacramento River Settlement Contractors meeting, it was confirmed Anderson-Cottonwood Irrigation District would receive a payment of approximately \$3.41 million dollars in drought relief funding from USBR via the SRSC Corporation. If the current FY 2023 Draft Budget were approved, the Drought Relief funds combined with the \$11 million dollars end of year carryover, would see the District with an approximated 2023 end of year carryover of approximately \$12 million dollars.

Recommendation: Staff recommends the Board review and consider the Draft Budget, and based off comments and concerns, staff will refine the document and bring back to the Board for final approval at the January 12, 2023 Regular Board meeting.

Attachments:

- ACID 2023 Working Budget Proposal
- Draft FY 2023 Budget Summary Letter

2023 Working Budget Proposal - 12/20/2022

Revenues

Account Number	Budget Item	2022 Year To Date	2022 Projected Year End	2022 Approved Budget	2023 Proposed Budget
4111	Water Sales / Prior Year	\$0	\$0	\$0	\$0
4112	Water Sale Business	\$0	\$0	\$8,500	\$8,500
4114	Water Sales / Irrigation	\$0	\$0	\$728,000	\$728,000
4115	Water Transfer / CVP	\$8,628,189	\$8,628,189	\$423,220	\$1,523,220
4117	Water Transfer / Base Supply	\$0	\$0	\$0	\$0
4934	Penalty Revenue	\$0	\$0	\$2,000	\$2,000
4971	Sale of Equipment	\$0	\$0	\$0	\$0
4980	Misc. Revenue	\$24,326	\$24,326	\$0	\$0
4984	Drainage Revenue	\$4,830	\$4,830	\$86,078	\$10,000
4991	Contract/Project Income	\$0	\$0	\$0.00	\$0.00
	Sub-Total	\$8,657,345	\$8,657,345	\$1,247,798	\$2,271,720

Property Tax & Interest

4920	Interest Revenue	\$42,833	\$25,000	\$15,000	\$40,000
4930	Prop. Taxes / Shasta	\$266,744	\$558,000	\$494,000	\$558,000
4931	Prop. Taxes / Tehama	\$19,611	\$46,500	\$42,500	\$46,500
	Sub-Total	\$329,188	\$629,500	\$551,500	\$644,500

	Total Revenues	\$8,986,533	\$9,286,845	\$1,799,298	\$2,916,220
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2023 Working Budget Proposal - 12/20/2022

Account Number	Budget Item	2022 Year To Date	2022 Projected Year End	2022 Approved Budget	2023 Proposed Budget
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Salaries & Benefits

5010	Reg. Salaries (Admin)	\$175,283	\$188,900	\$198,350	\$311,750
5012	Overtime (Admin)	\$0	\$0	\$0	\$0
5014	Retirement (Admin)	\$6,243	\$7,300	\$6,906	\$17,700
5015	Social Security (Admin)	\$11,590	\$14,500	\$12,120	\$0
5016	Workers Comp. (Admin)	\$571	\$620	\$760	\$1,850
5017	Unemployment Ins. (Admin)	\$911	\$911	\$1,302	\$2,000
5018	Medicare (Admin)	\$2,328	\$2,800	\$2,836	\$4,550
5019	Health Insurance (Admin)	\$31,247	\$31,247	\$47,076	\$61,500
5110	Reg. Salaries (T&D)	\$254,120	\$284,500	\$307,800	\$512,000
5111	Water Operator Milage	\$0	\$0	\$28,580	\$36,000
5112	Overtime (T&D)	\$195	\$500	\$6,000	\$6,000
5114	Retirement (T&D)	\$19,205	\$20,300	\$27,623	\$40,000
5115	Social Security (T&D)	\$19,585	\$22,500	\$20,857	\$31,500
5116	Workers Comp. (T&D)	\$39,353	\$42,200	\$52,181	\$82,000
5117	Unemployment Ins. (T&D)	\$3,292	\$3,292	\$3,472	\$5,000
5118	Medicare (T&D)	\$2,724	\$3,900	\$4,877	\$7,500
5119	Health Ins. (T&D)	\$84,644	\$84,644	\$130,668	\$219,000
Total Salaries & Benefits		\$651,291	\$708,114	\$851,408	\$1,338,350

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2023 Working Budget Proposal - 12/20/2022

Expenses

Account Number	Budget Item	2022 Year To Date	2022 Projected Year End	2022 Approved Budget	2023 Proposed Budget
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General Maintenance

7000	Fuels	\$28,526	\$33,410	\$23,000	\$40,000
7001	Equipment Rents & Leases	\$17,434	\$18,000	\$0	\$10,000
7002	Light Vehicles	\$11,559	\$12,000	\$4,000	\$10,000
7003	Heavy Vehicles	\$4,176	\$4,500	\$3,000	\$10,000
7004	Light Equipment	\$936	\$936	\$3,000	\$5,000
7005	Heavy Equipment	\$8,345	\$12,000	\$7,000	\$10,000
7007	Personal Supplies & Equipment	\$208	\$208	\$0	\$500
7008	Maintenance Supplies	\$22,287	\$30,000	\$10,000	\$25,000
7009	Buildings / Yard Maintenance	\$1,750	\$2,000	\$2,500	\$2,000
7010	Small Tools & Equipment	\$6,816	\$7,500	\$2,000	\$4,000
	Sub-Total	\$102,037	\$120,554	\$54,500	\$116,500

Canal Maintenance & Operations

8000	SCADA Maintenance	\$415	\$500	\$3,000	\$3,000
8001	Dam Maintenance	\$12,550	\$13,000	\$14,000	\$14,000
8002	Contracted Services	\$47,635	\$50,000	\$19,000	\$35,000
8003	Chemicals	\$0	\$0	\$13,000	\$15,000
8004	Canal Maintenance & Exp.	\$124,681	\$250,000	\$50,000	\$450,000
8005	Pump Maintenance	\$8,147	\$10,000	\$30,000	\$30,000
8006	Utilities / Pumping	\$2,765	\$3,200	\$134,000	\$135,000
8007	Project Water Costs / USBR	\$1,322,794	\$1,322,794	\$223,000	\$1,828,000
8008	Water Rights Protection	\$46,196	\$50,000	\$80,000	\$80,000
8010	Water Transfer / Base Supply	\$17,777	\$17,777	\$0	\$0
	Sub-Total	\$1,582,960	\$1,717,271	\$566,000	\$2,590,000

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Anderson Cottonwood Irrigation District
2023 Working Budget 01/04/2023

Account ID	Account Description	Cash
1307	Tri Counties Bank Money Market Acct.	\$880,974.12
1308	Tri Counties Bank Checking Account	\$715,708.86
1311	LAIF Account	\$9,800,797.79
1312	Imprest Cash	\$200.00
1313	Petty Cash Fund	\$100.00
Total cash on hand 12/08/2022		<i>\$11,397,780.77</i>
Expected outgoing thru 12/31/2022		\$250,000.00
Drought Relief Funding		\$3,411,443.01
Expected cash on hand 1/1/2023		<i>\$14,559,223.78</i>

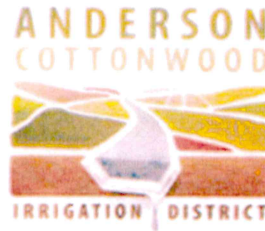
Date	Account Description	Cash
1/1/2023	End of FY 2022 Carryover	<i>\$14,559,223.78</i>
12/31/2023	FY 2023 Budget Deficit	<i>\$2,550,130.00</i>
12/31/2023	End of FY Esimated Carryover	<i>\$12,009,093.78</i>

Anderson Cottonwood Irrigation District							
2023 Proposed Budget							
Account Number	Budget Item				2022 Approved Budget	2023 Proposed Budget	2024 Proposed Budget
Capital Improvements							
1112	Land				\$0	\$0	\$0
1114	Pumps				\$65,000	\$150,000	\$25,000
1116	Trans & Distribution Plant				\$0	\$0	\$0
1117	Equipment (Machinery)				\$0	\$325,000	\$0
1118	Auto & Trucks				\$0	\$175,000	\$0
1119	Buildings				\$0	\$10,000	\$2,500
1120	Office Furniture & Equipment				\$0	\$25,000	\$2,500
1123	Yard Improvement				\$0	\$0	\$0
1124	Canal Lining & Pipe				\$100,000	\$350,000	\$100,000
1125	Canal Safety Project				\$0	\$0	\$0
1126	Main Canal Metering				\$0	\$0	\$0
1127	Main Dam Improvement				\$0	\$0	\$0
1132	Fish Screens				\$0	\$0	\$0
1133	Fish Ladders				\$0	\$0	\$0
1134	SCADA Equipment				\$0	\$0	\$0
1135	Groundwater Program				\$0	\$0	\$0
	Total Cap Improvements				\$165,000	\$1,035,000	\$130,000
2023 Proposed Budget							
<i>Budget Summary</i>							
					2022 Approved Budget	2023 Proposed Budget	2024 Proposed Budget
	Total Expenditures				\$1,633,333	\$4,431,350	\$2,381,355
	Total Capital Improvements				\$165,000	\$1,035,000	\$130,000
	Total Revenue				\$1,799,298	\$2,916,220	\$1,922,877
	Balance				\$165,965	(\$2,550,130)	(\$588,478)

Dan Woolery, President
James Rickert, Vice President

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Fiscal Year 2023 Budget Summary Letter

Background

The proposed Fiscal Year 2023 Anderson-Cottonwood Irrigation District Annual Budget was carefully crafted to ensure the long-term financial stability of the District, while identifying and addressing immediate District needs. FY 2022 was not like any prior year; the third year of drought brought many uncertainties in water supply and allocation, directly influencing budgetary considerations. Typically, the District has a balanced budget in the range of \$2 million dollars. With the reduced water allocation, and subsequent Board decision to engage in water sales, the District had major impacts to both the revenue and expense components of the FY 2022 budget.

FY 2022 started with approximately \$5 million dollars in reserves, with assumptions of a balanced budget of \$1.8 million. The result of no irrigation within the District was approximately 770k of lost irrigation revenue. Revenue from water sales in FY 2022 was approximately \$7.4 million dollars. In 2022, The District took advantage of the dry conveyance system, bidding out and completing approximately 600k of vegetation management in preparation for future water seasons. Staff anticipates entering FY 2023 with approximately \$11 million dollars in reserves.

The District anticipates additional FY 2022 revenue as a result of Drought Relief Funding provided by the United States Bureau of Reclamation for water that went unused, below the 18% allocation. The water made available for this payment was a collective total from all Sacramento River Settlement Contractors, and not on a District-to-District basis. Although the District has not yet received this funding, it is estimated the payment to the District will be approximately \$3.4 million dollars.

Fiscal Year 2023 Assumptions

District staff have to make certain assumptions to properly construct the Budget each year. The FY 2023 Budget has placeholders for both irrigation revenue and expense, resulting in a net zero impact to the Budget. The District is researching legal options related to a possible subsidized approach for 2023 irrigation fees. The District has multiple long term water transfer agreements in place, generating an estimated 423k

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in additional revenue. The Budget also assumes all District positions are filled and benefits cover employee and family medical plan. Currently there are several vacant positions; it is unknown at this time when each position will be filled throughout the year, and at what rate of insurance the new employees will require.

Staffing (Acct #5010-5119)

The District currently has seven vacant positions and an additional newly proposed position for an Executive Assistant. The new position would act as a liaison between the District, outside agencies and the general public arranging and attending public meetings, monitoring, and assisting in implementing strategic planning as directed by the General Manager and Board. Additionally, the Executive assistant will work with office and management staff to assist with encroachment, easement and title searches including historic right of way issues. Staff are currently developing a full Job Description for the proposed position. Upon the approval of the FY 2023 Budget, staff would begin the recruitment phase to fill positions.

Equipment (Acct #1117-1118)

Staff have taken a comprehensive inventory of all motorized District equipment and have identified the needs of the District, developing a long-term plan for fleet equipment.

Currently, District Water Operators (formerly ditch tenders) utilize their personal vehicles during the irrigation season for water deliveries, making valve adjustments, and job assignments. Although there are some compensation considerations for the use of private vehicles, management recommends the purchase of five vehicles for Operations. Four would be standard light duty pickup trucks to be assigned to Water Operators during the irrigation season, and one vehicle would be a small SUV to be assigned to the General Manager for work related use. This would rotate one light pickup truck back to the fleet for operations. The one-time purchase of multiple vehicles will allow for the establishment of rolling stock and allow for the scheduled replacement of one light vehicle per year.

The second component of the long-term plan is Heavy Equipment. The District currently has one backhoe (John Deere, 2400 hours) and one small tractor (Kubota, 800 hours). Staff recommends the additional purchase of one lightly used excavator with a masticator implement, one new/lightly used backhoe and one skid steer. Purchase of this equipment and filling vacant positions will allow District staff to maintain facilities and the conveyance system throughout the year, becoming less dependent on outside contractors, while furthering the development and retention of well-trained employees. Future Heavy Equipment considerations will address a newer dump truck with more towing capacity.

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Consultants (Acct #6018)

Staff have identified several areas to utilize the services of outside consultants to broaden the District's ability to complete new and ongoing tasks. This includes communications, a complete reboot of the District's website, grant funding opportunities, development of a Capital Improvement and/or Strategic Plan, canal modeling, information technology (IT) concerns, and seepage studies. In FY 2022, The Board approved a separate contract with a communications firm (CV Strategies Acct #6011) to assist with identifying and communicating these needs.

Project Water Costs/USBR (Acct #8007)

Anderson-Cottonwood Irrigation District has two different classifications of water, Base Supply and Project Water. Each year, once Project Water use is calculated by USBR, they issue fees associated with the cost of service. In 2022, to help facilitate the transfer of water, USBR declared all in-basin transfers to be identified as Project Water. All Project Water costs associated with water transfers the District engaged in were to be the responsibility of the entity receiving the water (buyers) per each contract. A portion of the fees were paid to the District prior to delivery of water, and in turn the District paid USBR approximately \$1.2 million dollars in anticipation of these fees on June 2, 2022. Currently the District has budgeted another \$1.1 million dollars due upon final reconciliation of the water accounting, though accounting will not be complete until late summer 2023. The District will be reimbursed the equal amount for this payment by the buyers.

Reserves

The District currently has a Designated Reserve Accounts Policy that was adopted in 2010, by Resolution 2010-05. Staff believes there is a need and opportunity to revisit this Policy making necessary updates to clearly define objectives, accounts, and limits. This task is very important considering the revenue from FY 2022 water sales, possible Drought Relief Funding, and the need to address District aging infrastructure and other long term financial considerations of the District.

The District also has an Expenditure Limitations Policy. This Policy consists of two sentences and should also be reviewed and possibly updated to reflect the needs of the District. A clearly defined policy will enable District staff to conduct business that may be time sensitive such as meeting deadlines for grant funding opportunities or other projects beneficial to the District.

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Capital Improvement Plan

Anderson-Cottonwood Irrigation District diverts water from the Sacramento River in Redding, California, primarily from a gravity diversion in the river at the seasonal ACID Diversion Dam in Redding. In addition, the District operates a pump station (Acct #1114) on the river approximately 4 miles downstream to supply a lateral canal. ACID's distribution system includes approximately 35 miles of Main Canal, about 98 percent of which is unlined. The Main Canal flows through six inverted siphons to cross streams, such as Clear Creek, and three flume sections across smaller streams and lowland areas. The District also operates and maintains hundreds of small weirs, turn outs and other conveyance infrastructure.

Much of the conveyance system is over 50 years old and has reached or is nearing end of life which will need to be addressed over the next few years. Several of these components of the conveyance system are considered critical, in that if they fail, water will not be conveyed to large portions of the District. Development and implementation of a Capital Improvement Plan (CIP) as part of a larger ACID Strategic Plan will add to the long-term viability and success of the District. Reviewing and updating the District's Policies including the Reserve and Expenditure policy will aid in the development of appropriate accounts designated to address the future infrastructure needs of the District.

Long Term Financial Stability Strategy

Although there are several “one off” expenditures under the proposed FY 2023 Budget, it is important to note there is also spending that will remain a constant in future Fiscal Years. Having a well thought out strategy to ensure the long-term financial stability of the District is vital when considering the FY 2023 budget, as this year’s spending will have direct implications on future budgets. The overwhelming majority of these considerations will be associated with the Salary & Benefits and Administration categories. The two categories have a combined increase from FY 2022 of approximately \$700k.

There are several opportunities the District will need to take advantage of to secure a balanced budget in future years. The first, and possibly most important is the continued evaluation of staffing needs for the District. The FY 2023 budget has recommendations to fill several vacant positions and retain an Operations Manager position that was created in 2022. Once fully staffed, the General Manager and Board will closely monitor production and demands of the District. The District will also address these considerations upon retirements and when other vacancies occur, to minimize overstaffing.

Another essential criterion to assist with possible budget shortfalls will be the evaluation of both short- and long-term water transfers. The District has multiple long term water transfers that are subject to annual administrative and other increases. The District must maximize opportunities to increase the associated fees to better represent Consumer Price Index (CPI) as defined in the contracts. Other water transfers include groundwater substitution. The District shall continue to responsibly engage in opportunities as they are presented, while being cognizant of any potential local ramifications.

Ongoing evaluation and understanding of District Water Rates will be another component crucial to the long-term financial stability of the District. Water rate increases are subject to a Proposition 218 process and will be very important to justify the need for any rate change. Over the past 20 years, the District has not increased rates at the same pace as CPI and may look for a one-time rate adjustment to true up the current cost of service.

As the District is reforming the Reserve Policy, another way to ensure stability would be to include a reserve that would offset some portion of any ongoing deficit, that could be back filled by future increases in water transfer revenue.

Combined, these defined actions and others will become a very disciplined approach to resolving budget deficits, in a manner that is sustainable and wide ranging, ensuring the District is not dependent on one sole source of funds to rely on as the difficult process of advancing a balanced budget is met in future years.