



SUMMARY REPORT

Agenda Date: 4/30/2024

To: Board of Directors, Sonoma Valley County Sanitation District
Department or Agency Name(s): Sonoma Valley County Sanitation District
Staff Name and Phone Number: Billy Dixon 707-521-1832
Vote Requirement: 2/3rd
Supervisorial District(s): First

Title:

Amendment to Sonoma Valley County Sanitation District Recycled Water Use Agreement and Issuance of a New Recycled Water Use Agreement for Cannabis Cultivation

Recommended Action:

- A) Authorize Sonoma County Water Agency's General Manager, on behalf of the Sonoma Valley County Sanitation District to execute an Amended and Restated Recycled Water Use Agreement between Sonoma Valley County Sanitation District and Mulas Dairy to reassign a portion of an existing allocation for the purpose of providing recycled water for cannabis cultivation. There is no change to the term length of the agreement, which is due to renew, at the request of the Dairy, on October 14, 2025, for a five (5) year term, with the option to renew for one additional five-year term.
- B) Authorize Sonoma County Water Agency's General Manager, on behalf of the Sonoma Valley County Sanitation District, to enter into a Recycled Water Use Agreement with Farmparc, Inc., to provide recycled water for the purpose of cannabis cultivation for a term of five (5) years.
(First District, 2/3rd Vote)

Executive Summary:

Mulas Dairy, a property owner and long-time recycled water user in the Sonoma Valley is interested in allowing Farmparc, Inc., a lessee of their property, access to recycled water provided by the Sonoma Valley County Sanitation District (SVCS D). The property owner would like to assign a portion of their existing recycled water allocation to the lessee. Facilitating this partial reallocation of allocated recycled water would mitigate the need for groundwater pumping from the Sonoma Valley groundwater basin. The portion of land leased has been a recycled water use site for pasture irrigation for over three decades. Recycled water will be used for cannabis cultivation purposes.

Discussion:

The Mulas Dairy (Dairy) has been a user of recycled water produced by SVCS D for over three decades. The owners of the Dairy are decreasing the footprint of pasture management operations and diversifying the uses of their land. In 2020, the Dairy was approached by a cannabis business, Farmparc, Inc. (aka "Sparc"), desiring to conduct cannabis cultivation operations on the Dairy property. A leasehold agreement was formed between the Dairy and Sparc for such business operations.

The Dairy would like to reassign a portion of its 200-acre-foot allocation of recycled water, which is the maximum amount of recycled water available to the customer per year, to Sparc for cannabis cultivation

purposes. The two entities have agreed that 30 acre-feet of recycled water, per year, is a sufficient volume for the needs of Sparc. The agreement between Sparc and SVCSD would effectively reduce the volume of recycled water usable by the Dairy to 170 acre-feet per year. The amended agreement between the Dairy and SVCSD identifies where the 30 acre-foot allocation will be applied within the property owned by the Dairy, and also states the Dairy is not entitled to more than the total allocation of 200 acre-feet, without the prior approval of SVCSD. Meters are used to track deliveries to the Dairy and an additional meter(s) will be installed to track recycled water used by Sparc. The Dairy will decrease the acreage of pasture being managed to operate within the 170 acre-foot recycled water allocation.

Sparc has been operating on the Dairy for nearly two years. Cultivation operations have been utilizing well water provided by the Dairy's own private well. Allowing this partial reassignment of allocated recycled water would decrease groundwater pumping in Sonoma Valley's already over-drafted groundwater basin. Sparc will completely replace the use of groundwater for operations with recycled water.

The Dairy plays an integral role in the disposal of excess recycled water that is not used by SVCSD's current base of recycled water customers. The partnership between the Dairy and SVCSD is a valued arrangement such that, in 2015, the Sonoma Valley County Sanitation District Board of Directors approved an agreement offering recycled water to the Dairy at no charge. Through the agreement with Sparc, SVCSD will be able to charge for recycled water that would have otherwise been provided for free. Sparc will be billed the curtable rate for recycled water during the 5-year term of the agreement, which is \$0.46/1000 gallons during the winter months (November to April) and \$0.92/1000 gallons during the summer months (May to October). The revenue generated through the agreement with Sparc is dependent upon the time recycled water is used, but it is estimated \$1500 to \$9000 could be incurred annually.

In the event that the leasehold agreement between Dairy and Sparc is terminated, the 30 acre-foot allocation will be assigned back to the Dairy upon termination of the Recycled Water Use Agreement with Sparc. The Dairy is not allowed to provide recycled water to a third party until a Recycled Water Use Agreement between SVCSD and the third party has been executed.

County Strategic Plan Alignment

N/A

Sonoma Water Strategic Plan Alignment

Goal 2: Improve the financial health of wastewater treatment and water reuse systems.

Approval of these agreements will increase the revenue received by the Sonoma Valley County Sanitation District through the sale of recycled water that would otherwise be provided for free.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

09/22/2015: Authorized the General Manager to execute a no-cost Recycled Water Use Agreement between

SVCSD and Mulas Dairy.

07/22/2003: Approve and authorize the General Manager/Chief Engineer to execute the Recycled Water Use Agreement between the Sonoma County Water Agency and Mulas Dairy, determine that the recycled water use on Mulas Dairy will not have a significant adverse effect on the environment, and authorizing and directing the General Manager/Chief Engineer to file a Notice of Exemption in conformance with the California Environmental Quality Act.

FISCAL SUMMARY

Expenditures	FY23-24 Adopted	FY24-25 Projected	FY25-26 Projected
Budgeted Expenses	\$5,000		
Additional Appropriation Requested			
Total Expenditures	\$5,000		
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$5,000		
Use of Fund Balance			
General Fund Contingencies			
Total Sources	\$5,000		

Narrative Explanation of Fiscal Impacts:

Budgeted amount of \$5,000 is available from FY 2023/2024 appropriations for the Sonoma Valley County Sanitation District fund. The District will be reimbursed \$5,000 from Sparc, which covers the cost of the meter, along with installation costs. In addition, this agreement could generate \$1,500 to \$9,000 in revenue annually. No additional appropriation is required.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

- Mulas Dairy Amended Recycled Water Use Agreement
- Farmparc Recycled Water Use Agreement

Related Items "On File" with the Clerk of the Board:

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None.