

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

MEMORANDUM

DATE: MARCH 22, 2022

TO: BOARD OF DIRECTORS
Lake Arrowhead Community Services District

FROM: CATHERINE CERRI, General Manager

SUBJECT: CARRYOVER RIGHT FREE PRODUCTION
ALLOWANCE FOR WATER YEAR ENDING
SEPTEMBER 30, 2021

A. RECOMMENDATION

Approve the temporary transfer of the 2020/2021 Carryover Right from the District's Free Production Allowance ("FPA") in the Mojave Basin to a client of Mojave Resource Management.

B. REASON FOR RECOMMENDATION

The District can either use its allocation of water in the Mojave Basin or transfer the Carryover Right of its FPA to another user in the Mojave River Alto sub-basin. This transfer is only for the 2020/2021 Carryover Right and will not impact the District's future rights to water in the sub-basin.

C. BACKGROUND INFORMATION

The District previously irrigated alfalfa and other fodder crops with groundwater on the northern portion of its effluent management site in Hesperia. This irrigation practice established a water right when the Mojave Groundwater Basin was adjudicated. In water year 2020/2021, the District had the right to extract 428 acre-feet of groundwater from its Hesperia property but used zero acre-feet.

The Watermaster has been ramping down the amount of allowable groundwater withdrawals. This past year, the FPA was set at 65% of LACSD's Base Annual Production of 658 acre-feet. It was 75% in the prior year and 80% in previous years. Next year, the recommended ramp down will reach 60%. Also, the price for replacement water this year

was reduced due to high reserve fund levels. This is the water users can buy from Mojave when they use more than their allotment. This reduction put downward pressure on the price that can be brokered for the FPA. This price should go back up next year.

Mojave Resource Management has offered to broker a deal at \$430 per acre-foot for 428 acre-feet of Carryover FPA water (\$184,040) with a commission of 4%. Last year's FPA sold for \$400 per acre-foot but for a higher quantity at 494 acre-feet (\$197,600).

D. FISCAL IMPACT

The District will receive \$184,040 from the buyer and will pay \$7,362 in commission fees to Mojave Resource Management for net revenue of \$176,678. Because of the ramp down, the District has less water to transfer resulting in lower net income of \$13,018 compared to the prior year.

E. ENVIRONMENTAL IMPACT

This item is an administrative action; therefore, it is not subject to the California Environmental Quality Act ("CEQA").

F. ATTACHMENTS

- Mojave Resource Management Carryover Proposal
- Mojave Basin Watermaster Production Verification



Mojave Resource Management, LLC
11146 Lindsay Lane
Apple Valley, CA 92308
(760) 985-6261

Date: March 7, 2022
To: Catherine Cerri, General Manager
From: Mojave Resource Management, LLC
By: Bobby Boytor, Executive Manager
Subject: Lake Arrowhead Community Services District 2020-21 Carryover Proposal

Dear Catherine Cerri,

Mojave Resource Management, LLC ("MRM") currently has a prospective transferee interested in leasing Lake Arrowhead Community Services District's ("LACSD") 428 acre-feet of 2020-21 Unused Free Production Allowance, as referenced in the Mojave Basin Area Watermaster 2020-21 Annual Water Production Verification letter dated December 16, 2021. (hereinafter "Carryover"). Please note that the amount of LACSD Carryover is lower than the previous Water Year due to the court-ordered rampdown on all Alto agriculture parties.

MRM is proposing to lease LACSD's Carryover at the rate of \$430 per acre-foot, for a total of \$184,040.00. The proposed lease rate is an increase of 7.5% compared to last year's rate of \$400 per acre-foot. However, as stated above, the amount of leasable Carryover is less than the previous Water Year. Similar to the previous year, MRM's services fee is 4% of the total transaction price to facilitate the transfer between the parties. The fee is payable upon LACSD's receipt of proceeds from the transferee and the transfer's approval by the Mojave Basin Area Watermaster Board of Directors.

The Carryover transfer is subject to the transferee's approval. Therefore, I anticipate having their approval before or by March 31, 2022. Once both parties have approved and completed the transfer documents, MRM will file the necessary documents with Watermaster for approval by the Watermaster Board of Directors, scheduled for May 25, 2022. MRM will provide LACSD with Watermaster's confirmation for your records upon acceptance.

If the terms are satisfactory, please let me know as soon as possible to start the transfer paperwork process. Mojave Resource Management, LLC sincerely appreciates LACSD's consideration. If you have any questions, please don't hesitate to contact me at (760) 985-6261 or at mrmwater@outlook.com.

Best Regards,

Bobby Boytor
Executive Manager

ENC: 2020-21 Watermaster Verification Letter
2019-20 Watermaster Verification Letter (to show the change in available Carryover)

MOJAVE BASIN AREA WATERMASTER

FOR
CITY OF BARSTOW, ET AL, VS. CITY OF ADELANTO, ET AL,
CASE NO. 208568 - RIVERSIDE COUNTY SUPERIOR COURT

December 16, 2021

Catherine Cerri
Lake Arrowhead Community Services District
P. O. Box 700
Lake Arrowhead, CA 92352-0700

Re: Mojave Basin Area Watermaster, 2020-21 Annual Water Production Verification

Dear Ms. Cerri:

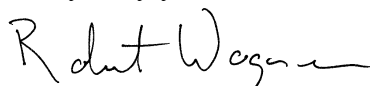
The Watermaster has determined that you produced **0 acre-feet** of water during the 2020-21 Water Year in the Alto Subarea. As a result you will have **428 acre-feet of Carryover Right** available for the 2021-22 Water Year. Any assessments which you have incurred including Administrative, Biological, Replacement Water or Makeup Water Assessments will be based on your 2020-21 verified production amount as stated above.

The Watermaster will mail to you a draft copy of Appendix B from the Watermaster's Annual Report to the Court by March 1, 2022 showing any Replacement and Makeup Water Assessments that you incurred during 2020-21 and your Carryover Right from 2020-21 for use during 2021-22.

Section 12 (C) of the Watermaster Rules and Regulations requires that you must be in compliance with the water production monitoring provisions of Section 11 of the rules prior to any transfer of Free Production Allowance. Please be advised that the Watermaster may disallow any transfer you propose if you are not in compliance with Section 11.

If we do not hear from you in writing within 15 days from the date of this letter, we will assume you concur with our determination. Please contact Mr. Jeffrey Ruesch if you have any questions.

Very truly yours,



Robert C. Wagner, P.E.
Watermaster Engineer

MOJAVE BASIN AREA WATERMASTER

FOR
CITY OF BARSTOW, ET AL, VS. CITY OF ADELANTO, ET AL,
CASE NO. 208568 - RIVERSIDE COUNTY SUPERIOR COURT

December 29, 2020

Catherine Cerri
Lake Arrowhead Community Services District
P. O. Box 700
Lake Arrowhead, CA 92352-0700

Re: Mojave Basin Area Watermaster, 2019-20 Annual Water Production Verification

Dear Ms. Cerri:

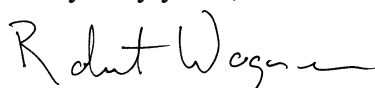
The Watermaster has determined that you produced **0 acre-feet** of water during the 2019-20 Water Year in the Alto Subarea. As a result you will have 494 acre-feet of Carryover Right available for the 2020-21 Water Year. Any assessments which you have incurred including Administrative, Biological, Replacement Water or Makeup Water Assessments will be based on your 2019-20 verified production amount as stated above.

The Watermaster will mail to you a draft copy of Appendix B from the Watermaster's Annual Report to the Court by March 1, 2021 showing any Replacement and Makeup Water Assessments that you incurred during 2019-20 and your Carryover Right from 2019-20 for use during 2020-21.

Section 12 (C) of the Watermaster Rules and Regulations requires that you must be in compliance with the water production monitoring provisions of Section 11 of the rules prior to any transfer of Free Production Allowance. Please be advised that the Watermaster may disallow any transfer you propose if you are not in compliance with Section 11.

If we do not hear from you in writing within 15 days from the date of this letter, we will assume you concur with our determination. Please contact Ms. Valerie Wiegenstein if you have any questions.

Very truly yours,



Robert C. Wagner, P.E.
Watermaster Engineer