

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

2019 Municipal Service Review and Sphere of Influence Study:

Marina Coast Water District



Final Adopted by the Commission on April 22, 2019

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 Leslie J. Girard, General Counsel

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

132 W. Gabilan Street, Suite 102, Salinas, CA 93901
P.O. Box 1369, Salinas, CA 93902
(831)754-5838
www.monterey.lafco.ca.gov

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**2019 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY
MARINA COAST WATER DISTRICT**

Marina Coast Water District – At a Glance	
Formation Date	1960 (as Marina County Water District)
Legal Authority	County Water District Law (California Water Code, Division 12, Section 30000 et seq.)
Board of Directors	Five directors, elected at large to staggered four-year terms
District Area	1, 658 acres – existing district boundaries 4,907 acres – proposed expansion
Sphere of Influence¹ Area	1,458 acres outside current district boundaries (approx.. 1,400 acres of which are not proposed for annexation at this time) 4,907 acres – proposed expansion and concurrent annexation
Population	Approximately 18,000 in-district (33,000 total served population, including extraterritorial Ord Community service area) ²
Authorized Powers	Water conservation, wholesale water supply, retail water delivery, groundwater management, wastewater collection and recycled water.
Budget (FY 2018-19)	\$40.1 million in projected revenues and expenses
Mission Statement	We provide our customers with high quality water, wastewater collection and conservation services at a reasonable cost, through planning, management and the development of water resources in an environmentally sensitive manner.
Board President	Thomas P. Moore, PhD
General Manager	Keith Van Der Maaten, P.E.
Office	11 Reservation Road, Marina CA 93933
Website	mcwd.org
Meetings	Regular Board meetings are held the third Monday of each month at 6:30 pm at the Marina City Council Chamber, 211 Hillcrest Ave, Marina.

¹ A Sphere of Influence is defined by LAFCO of Monterey County as “A plan for the probable physical boundaries and service area of a local agency, as determined by LAFCO, [pursuant to California Government Code Section 56076]. The area around a local agency eligible for annexation and extension of urban service within a twenty-year period.”

² Extraterritorial service area: An area in which a city or special district is authorized to extend services to certain properties outside its jurisdictional boundaries.

EXECUTIVE SUMMARY

INTRODUCTION

This Municipal Service Review and Sphere of Influence Study provides information about the services and boundaries of Marina Coast Water District (MCWD). The report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence of all cities and special districts in Monterey County (Government Code section 56425). It also requires LAFCO to conduct a review of municipal services before adopting Sphere updates (Government Code section 56430). An MSR is a comprehensive review of municipal services in a designated geographic area which provides information and evaluates the provision of services, and recommend actions when necessary, to promote the efficient provision of those services. MSRs are intended to serve as tools to help LAFCO, local agencies and the public better understand the municipal service structure and to develop information to update the Spheres of Influence of cities and special districts. As discussed in the Key Findings, below, this study finds that MCWD capably successfully provides water and wastewater collection services throughout its service area.

REPORT OVERVIEW AND ORGANIZATION

This Executive Summary presents a brief overview of the study, key findings, and recommended actions.

The **Municipal Service Review and Sphere of Influence Study** has a total of 9 sections providing a districtwide overview, a review of existing and proposed jurisdictional boundaries and sphere of influence, population and projected growth, District facilities and operations, shared services, governance, finances, and future opportunities and challenges.

The **Determinations** section concludes the study with statutory determinations required for all municipal service reviews and sphere of influence studies pursuant to the Cortese-Knox-Hertzberg Act.

These sections are followed by a brief **Appendices** section with sources/acknowledgements.

KEY FINDINGS

Following are the key findings of the Municipal Service Review and Sphere of Influence Study:

1. MCWD is successfully and reliably carrying out its mission.

The District has a strong track record of successfully providing essential water and wastewater services to its residents – both in its existing district boundaries in Central Marina and in the Ord Community, where it is now proposing to annex areas it has served for up to 20 years. MCWD is governed by an elected board of directors and is professionally managed and staffed. The District functions as a direct, responsive, and accountable form of local government for the communities it serves.

2. The District proactively plans for its long-term capital improvement needs and funding levels.

MCWD has adopted and annually adjusts a capital improvement program that identifies likely future infrastructure reinvestment needs, along with associated funding levels, in order to provide continuity of high-quality public services. With an adequate revenue base and proactive financial policies and practices in place, the District is well positioned to build reserve funds for future needs.

3. Groundwater overdrafting and seawater intrusion in the Salinas Valley Groundwater Basin remain a significant concern for the District’s long-term water supply.

The Salinas Valley Groundwater Basin has had a problem with seawater intrusion since the 1940s. Seawater intrusion occurs when groundwater levels fall below sea level due to groundwater pumping.

The District currently relies 100% on groundwater for its public water supply. All of MCWD’s water supply wells overlie the Monterey Subbasin of the Salinas basin, and will continue to pump from the Monterey Subbasin in the future. MCWD is taking active measures to diversify its water supply through conservation, recycled water, and desalination, thereby reducing reliance on groundwater pumping.

Since 2015, the statewide Sustainable Groundwater Management Act (SGMA) “requires groundwater-dependent regions to halt overdraft and bring basins into balanced levels of pumping and recharge.” MCWD has applied for, and received, authorization from the State to be the exclusive groundwater sustainability agency – or GSA – pursuant to SGMA, for all areas within its existing district boundary (Central Marina). Both MCWD and the Salinas Valley Basin GSA, a countywide joint powers authority, have applied to be the GSA for the Ord Community. As of this writing, the State has not yet designated either MCWD or the SVBGSA as the exclusive GSA for the Ord Community. Whichever agency is ultimately selected for the Ord Community, SGMA will require the two neighboring agencies’ Groundwater Sustainability Plans to be coordinated and consistent with each other. To achieve this objective, in 2017 MCWD and SVBGSA entered into a coordination agreement to facilitate a positive working relationship and streamline efforts and resources moving forward. The GS Plan will, among other requirements, identify a sustainable yield, a sustainability goal, and a sustainable groundwater management program for the Monterey Subbasin. The GS Plan is required to be adopted no later than January 31, 2022.

4. MCWD’s proposed sphere of influence and annexation are appropriate and justified.

The District is currently proposing to annex specific areas of Ord Community areas of Marina, Seaside, and the unincorporated County, where it has already capably established itself as the water and wastewater services provider for many years. MCWD has limited its proposal area to only include areas with existing water connections or approved development entitlements, thereby reducing potential impacts on groundwater resources. No other/additional areas appear to warrant inclusion in the District’s sphere of influence or boundaries at this time.

Bringing the Ord Community into the District’s boundaries will allow voters in the annexed area (portions of Marina, Seaside, and the unincorporated County) the opportunity to vote for – and serve as – MCWD directors. Expanding the vote in this way has been a long-term objective expressed by many Ord Community residents over the years, and is supported by the current MCWD board.

RECOMMENDED ACTIONS

Based on the analysis and recommendations in this study, the Executive Officer recommends adoption of a resolution to:

1. Find that, pursuant to Section 15306 of the California Environmental Quality Act (CEQA) Guidelines, the service review and sphere of influence study is categorically exempt, in that the study consists of basic data collection, research, management, and resource evaluation activities that will not result in a serious or major disturbance to an environmental resource, and pursuant to Section 15061(b)(3), because it can be seen with certainty that there is no possibility that this study may have a significant effect on the environment;
2. Approve this Municipal Service Review and Sphere of Influence Study for Marina Coast Water District;
3. Consider the Marina Coast Water District’s determination, as the CEQA lead agency, that the District’s sphere of influence amendment and annexation proposal will not significantly impact the environment; and
4. Based on the Study’s recommended determinations, approve MCWD’s proposed sphere amendment and annexation.

Figure 1: Existing Sphere and Boundaries of Marina Coast Water District

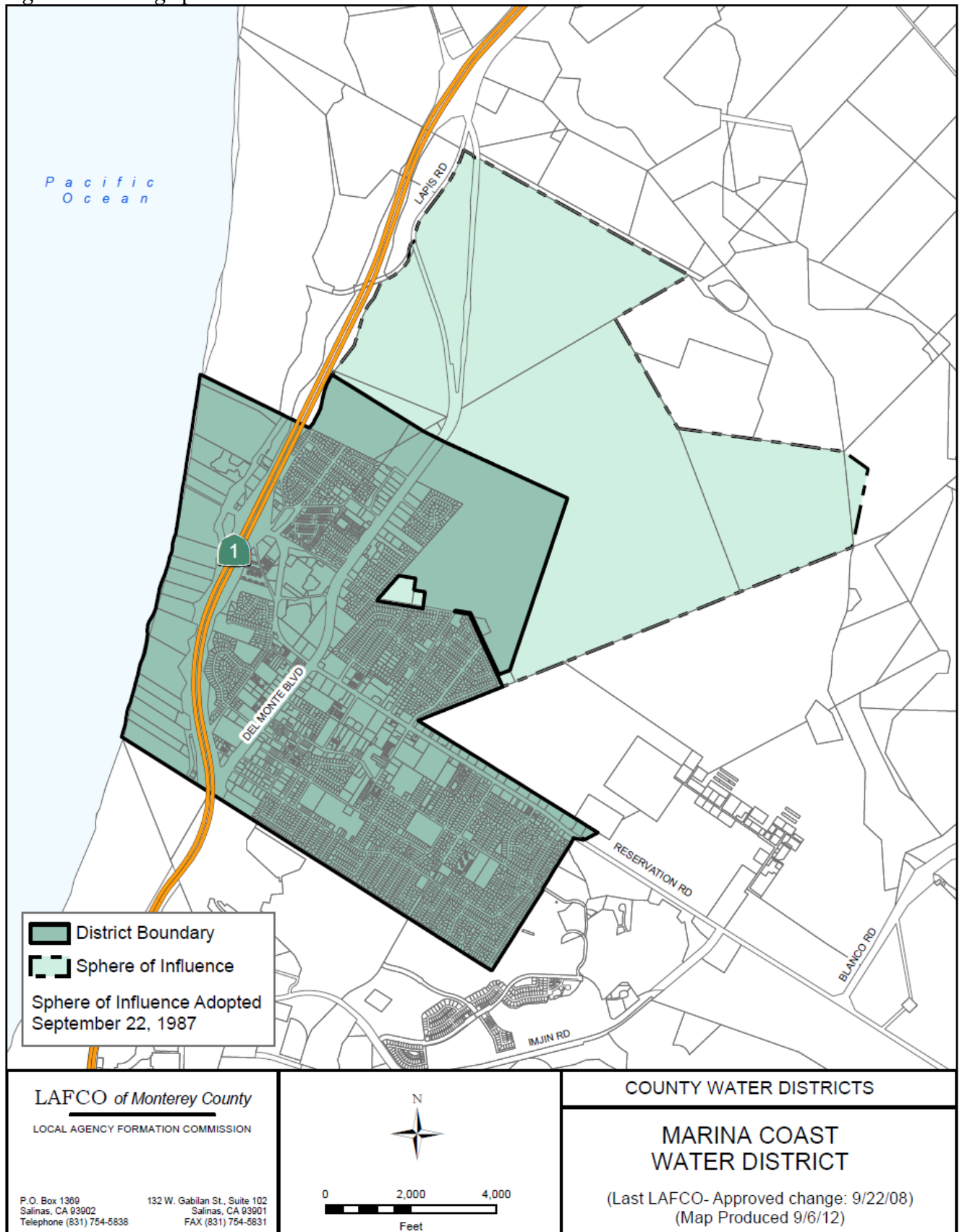
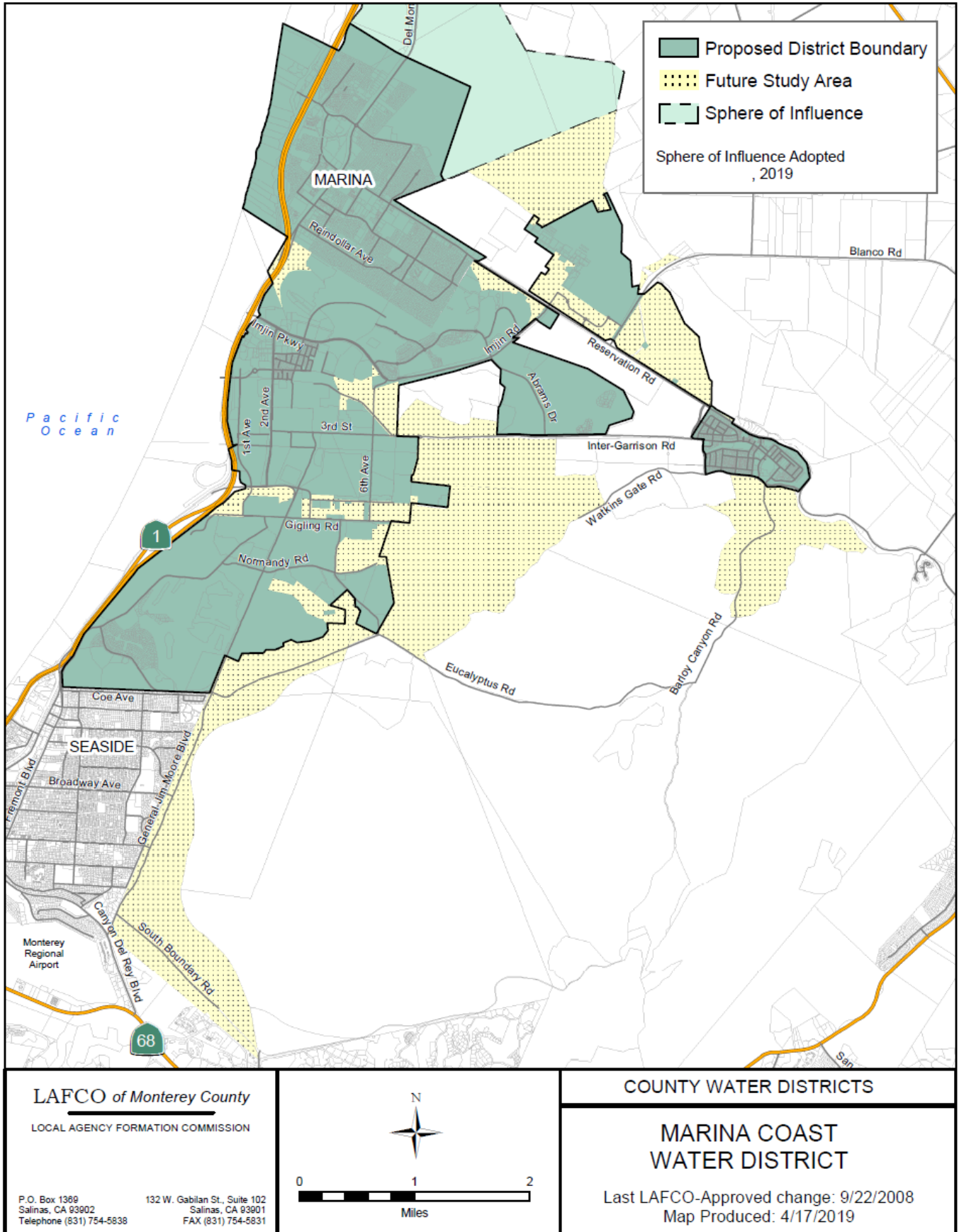


Figure 2: Recommended Sphere and Boundaries of Marina Coast Water District



MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY

DISTRICT OVERVIEW

Summary of Services

The Marina Coast Water District provides water, wastewater and recycled water services to central Marina and, since the 1990s (see MCWD History section, below), to areas of the former Fort Ord. The District serves approximately 30,000 residents through 10,000 connections in its Marina and former Fort Ord (Ord Community) service areas. The District currently pumps all of its potable water supply – approximately 3,000 acre-feet of water per year – from groundwater wells in the Salinas River basin. Collected wastewater is pumped to the Monterey One Water (MIW) regional wastewater treatment plant outside Marina.

MCWD Boundaries and Ord Community Extraterritorial Service Area

MCWD's existing jurisdictional boundaries are centered on the original (“Central”) City of Marina, north of Fort Ord. Since 1998, the District has served the Ord Community – encompassing portions of Marina, Seaside, and unincorporated lands such as East Garrison – outside its district boundaries, via a contractual agreement with the Ford Ord Reuse Authority. Since 2001, MCWD owns and operates the Ord community public water and wastewater systems. However, with the legislative sunset of FORA scheduled for July 2020, the future legal status of MCWD to serve the Ord Community pursuant to the MCWD-FORA contracts is unclear.

The District is currently proposing a sphere of influence amendment, and corresponding annexation, to bring significant portions of its existing Ord Community service area into its jurisdictional boundary. This boundary change would resolve the MCWD-FORA contractual issues for extraterritorial service when FORA sunsets. Two additional parcels in Central Marina are also proposed for annexation. The proposal is further described in the PROPOSED SPHERE OF INFLUENCE, BOUNDARY, AND FUTURE STUDY AREA section, below.

District History

The Marina Coast Water District was formed in 1960 as the Marina County Water District. It was formed to provide potable water service to the then-unincorporated community of Marina, on the northwestern boundary of the Fort Ord Army Base. The original District boundaries of approximately 1,600 acres were identical to those of the Marina Fire District.

In 1970, Marina County Water District constructed a wastewater treatment plant and a wastewater collection system. When the City of Marina incorporated in 1975, the District remained separate and independent. City boundaries included the District's boundaries plus a large area of Fort Ord that, until now, has not been formally proposed to become part of the District.

In 1991, the Marina County Water District constructed a pilot recycled water system, providing tertiary treated wastewater for irrigation of public landscaping and parks near the wastewater plant. The District's treatment system operated until 1992, when the District joined the Monterey Regional Water Pollution Control Agency joint powers authority (now called Monterey One Water, or MIW). This action allowed the Marina system to connect with the regional agency's treatment plant.

In 1994, the District changed its name to Marina Coast Water District to clarify that it is not a dependent district of the County of Monterey. In 1996, the District constructed a facility to explore the feasibility of desalinating seawater extracted through shallow wells along the beach. This facility is capable of producing approximately 300 acre-feet per year. While the District does not currently operate this facility, it could be reactivated to supplement existing supplies.

In 1994, Fort Ord was officially closed, and the State created the FORA to oversee the land's civilian reuse and redevelopment. Through a competitive process FORA selected the Marina Coast Water District to

operate and expand the water and wastewater system of the former Army base. In February 1998, FORA entered into an agreement with MCWD to allow the District's ownership and operation of the water and wastewater facilities. In 2001, the United States conveyed title to the water and wastewater infrastructure on the former Fort Ord through FORA to MCWD. The conveyance included the groundwater pumping rights and wastewater treatment capacity at the regional plant for the non-retained portion of the base. In 2007, the District combined the water system permits for the Central Marina and former Fort Ord service areas into a single California Department of Public Health permit. (Note: In 2014, the CDPH became the Division of Drinking Water under the State Water Resources Control Board.)

Current District Facilities and Operations

MCWD has an authorized staff of 38 full-time employees. The District owns and operates 20 sewer lift stations, more than 140 miles of gravity pipeline, and seven miles of force main to convey in excess of two million gallons per day of sewage to the MIW regional wastewater treatment plant.

MCWD's water system encompasses approximately 200 miles of pipeline. The District owns and operates eight production wells with an estimated capacity of approximately twenty million gallons per day. District water storage includes eight tanks with a combined capacity of eleven million gallons, along with six booster pump stations. In addition, monitoring wells located along the coast constantly check water quality and groundwater levels in the aquifers that are the source for the District's water supply. All wells are periodically sampled to identify the presence of contaminants, track the threat of seawater intrusion, and monitor groundwater levels.

Additional aspects of the District's operations are further discussed in the **Staffing and Regulatory Oversight** subsection, below.

DISTRICT BOUNDARIES & SPHERE OF INFLUENCE

Overview: Existing Boundaries and Sphere of Influence

MCWD's existing boundaries and sphere cover Central Marina, an area of approximately 3.2 square miles. The District's existing sphere does not extend to MCWD's Fort Ord service area. The District has incrementally increased its boundary through annexations after formation in 1960, but - until the current expansion proposal - has not expanded its boundaries or sphere into any portion of the former Fort Ord. The District's boundaries have not changed since 2008, when MCWD annexed the Marina Station site.

Beyond current district boundaries, the District's existing sphere includes two areas in Central Marina:

- Olson Elementary School and Marina United Methodist Church, and
- Unincorporated parcels of the former Armstrong Ranch, now owned by RAMCO Enterprises.

Each of these areas, as well as the nearby CEMEX site, is discussed below.

2018 Ord Community Sphere/Annexation Proposal

To date, the District's services to the Ord Community have been by extraterritorial service contract with FORA and with the U.S. Army. In 2001, the Army through FORA deeded ownership of all of the water and wastewater infrastructure within the former Fort Ord to the District. The District's service contracts with the U.S. Army will also remain in effect after FORA. MCWD is now proposing a sphere amendment and annexation to bring developed and developing areas of the Ord Community into the District. The proposed sphere amendment and annexation represent a major expansion of the District. *Please see the PROPOSED SPHERE OF INFLUENCE AND BOUNDARIES section, on page 13, for a fuller discussion of MCWD's current proposal.*

Olson Elementary School and Marina United Methodist Church: Existing Sphere, and Currently Proposed for Annexation

Although these two institutional uses are not within the District boundaries, they are within the sphere and are served by MCWD. Following the 2008 Marina Station annexation to the District, these properties

became an unannexed “island” within the District boundaries. Annexation of these sites is included in MCWD’s current proposal sphere/annexation proposal, the majority of which consists of the Ord Community. The District is the logical service provider to these sites and their exclusion from District boundaries has been an oversight.

Unincorporated Former Armstrong Ranch (RAMCO) Parcels: Existing Sphere, Not Proposed for Annexation at this Time

Beyond current District boundaries, MCWD’s existing designated sphere extends into the 2.4-square-mile unincorporated portion of the former Armstrong Ranch property north of the City of Marina. As discussed above, a smaller portion of the overall Armstrong Ranch site (Marina Station future development site) is inside both the district boundary and the city limits, and is planned for development.

The majority of the other Armstrong Ranch parcels, an approximately 1,200-acre area – similar in size to central Marina – were purchased by RAMCO Enterprises, L.P. in 2017. Since the purchase, much of that area has been converted from grazing lands to strawberries and other row crops. The RAMCO parcels are also located within the City of Marina’s sphere of influence but are not proposed for annexation at the present time. In 2000, City voters approved an Urban Growth Boundary, which is the area within which the City will concentrate growth and new development, along with required community services through 2020. The unincorporated portion of the Armstrong Ranch is beyond this limit line. The moratorium is set to expire in 2020, but no development activity appears to be anticipated in this area in the foreseeable future.

Just north of the RAMCO site are the Monterey Regional Waste Management District landfill and materials recovery/recycling facilities, and the MIW regional wastewater treatment facilities. In 2010, MCWD purchased 224 acres of the Armstrong Ranch adjacent to the MIW property. The District has a pipeline along the western boundary of the parcel and may use the parcel for a reservoir, well field, treatment facility or other water supply purposes. In 2018, the Monterey County Regional Fire District annexed the RAMCO- and MCWD-owned parcels.

CEMEX Lapis Plant: Outside the Current Boundaries and Sphere, No Changes Proposed

The CEMEX site (formerly known as the RMC Lonestar Property) is a 376-acre coastal parcel which is one of the few remaining sand mining operations on the California Central Coast. This parcel is within the City of Marina. It was not included within the original 1987 District Sphere of Influence because it was determined that the site did not require District services. The property is also beyond the voter-adopted Urban Growth Boundary, such that urban growth cannot occur until after 2020. Following a 2017 cease-and-desist order by the California Coastal Commission, the sand mining operations at this site are scheduled to shut down permanently in December 2020.

The CEMEX property may play a role in a project being developed by the California American Water Company. Cal-Am has negotiated to acquire or secure permanent easements on the CEMEX property for slant intake wells for a proposed desalination project. Previously, Cal-Am had partnered with the Marina Coast Water District and the Monterey County Water Resources Agency to develop a desalination project. This partnership was later dissolved when the former partners became involved in legal claims and litigation.

2018 Ord Community Sphere/Annexation Proposal

MCWD has been serving the former Fort Ord since 1998 by contract with the U.S. Army and FORA. LAFCO's first municipal service review (2006) for MCWD recognized the District's provision of water and wastewater services to the former Fort Ord through contract. It also stated that a Sphere of Influence and annexation study should be initiated to address concerns about representation of area residents in District governance. Currently, MCWD ratepayers in the Ord Community, being outside MCWD's district boundaries, are ineligible to vote for, or serve on, the District's board of directors – a longstanding point of contention expressed by numerous Ord Community residents.

The former Fort Ord contains currently developed residential, commercial and educational areas. The water and wastewater needs of these areas are now being met by the District. Additional areas are designated for urban development in the base reuse plan, with other large areas preserved as open space. Areas planned for urban development include some that were previously developed by the Army and others that are outside the footprint of the Army's prior urban-type land uses.

Scope of the Proposal

In April 2018, MCWD submitted a sphere of influence amendment and annexation application for a large portion of the District's Ord Community current extraterritorial service area in Marina, Seaside, and the unincorporated county. Later in 2018, the District reduced the proposal area pursuant to a settlement agreement, summarized in Appendix A to this report.

MCWD's current proposal is shown as an overview map in Figure 3 (opposite), and in more detailed maps in Appendix A. Significant subareas within the proposal include, but are not limited to, the UC MBEST Center (portions), East Garrison ("phase I" – north of Watkins Gate Road), Abrams Park and Preston Park housing, Cypress Knolls, Marina Heights/Sea Haven, University Village/The Dunes on Monterey Bay, CSUMB main campus and Promontory housing site, The Projects at Main Gate, and U.S. Army-retained housing in Seaside. The proposal also includes Olson Elementary School and Marina United Methodist Church, in central Marina, outside the Ord Community, as discussed on page 11.

These areas are being proposed for addition to the District's sphere of influence, and for concurrent annexation. (Under State law, LAFCO must first make determinations approving a sphere amendment before approving an annexation). Additional details about the MCWD proposal are available in the project file for the proposal, LAFCO file 18-03.

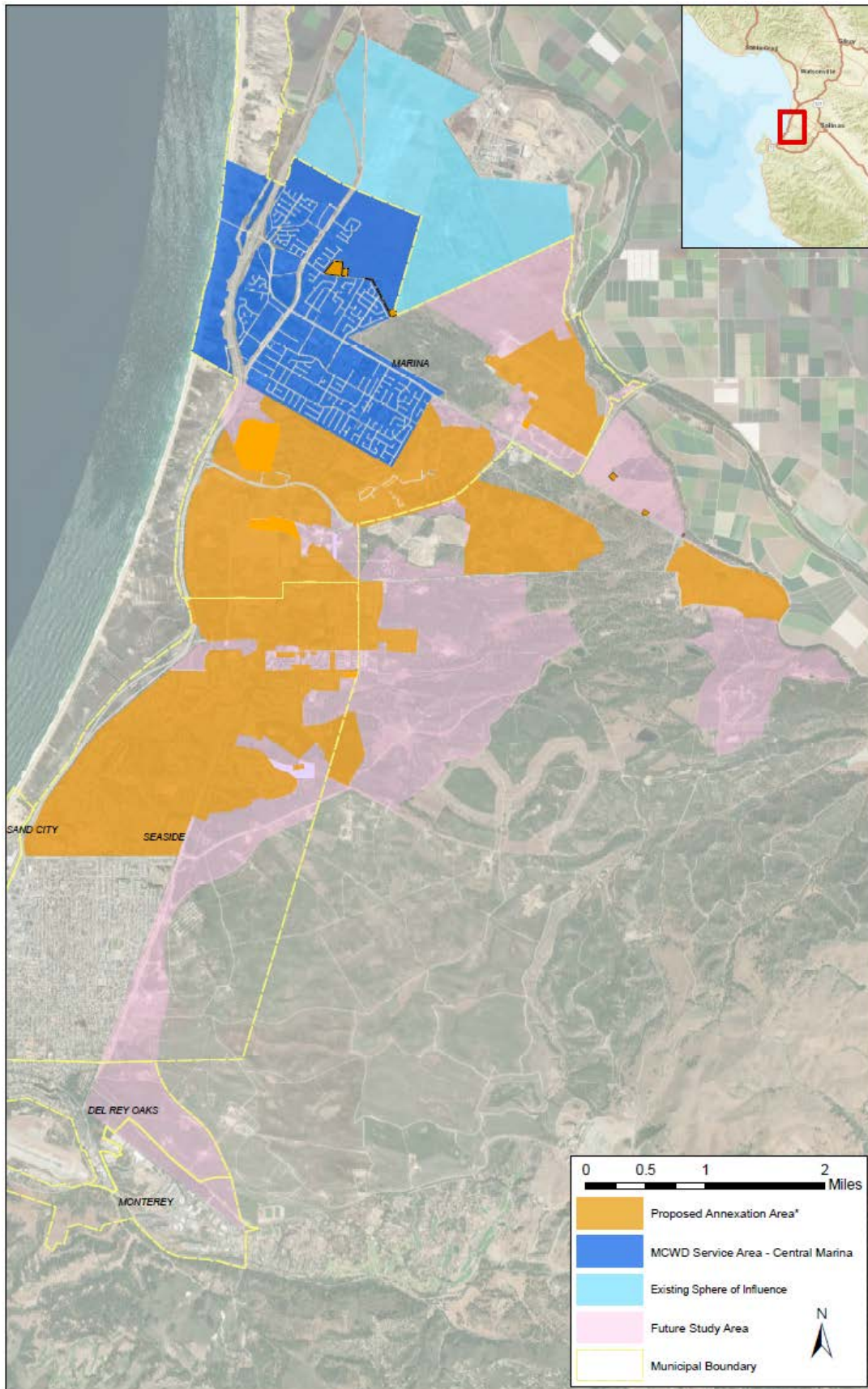
LAFCO staff has reviewed the District's proposed sphere amendment and annexation and has determined the proposal to be justifiable, warranted, and in the public interest. The recommended determinations at the end of this report support approval of the District's expansion proposal.

Future Study Area

Part of the MCWD proposal includes designation of a Future Study Area, on Ord Community lands anticipated for development pursuant to the Fort Ord base reuse plan, but in a longer time horizon. The primary subareas proposed as the Future Study Area are in the UC MBEST center, East Garrison phase II, Seaside East parcels, parcels formerly associated with the Whispering Oaks and Monterey Downs projects (now defunct), and sites in the Cities of Del Rey Oaks and Monterey.

Under LAFCO of Monterey County's locally adopted policies, a Future Study Area is "Territory outside of an adopted Sphere of Influence that may warrant inclusion in the sphere in future years. Further study would have to be completed prior to inclusion." This informal and nonbinding designation is an indicator of an agency's interest in serving an area at some point in the future. This designation does not exist in or derive from State LAFCO law (the Cortese-Knox-Hertzberg Act).

Figure 3: MCWD 2018 Sphere/annexation proposal



Precursors to MCWD’s Proposal

MCWD owns and operates the public water and wastewater infrastructure throughout the former Fort Ord, including the Ord Community portion of the City of Seaside. In the older, “non-Ord” portion of Seaside, wastewater services are provided by the Seaside County Sanitation District. SCSD also serves Del Rey Oaks and Sand City. Over the years, plans for MCWD to annex the Ord Community have been affected by SCSD assertions that SCSD, and not MCWD, is the logical wastewater provider within some or all former Fort Ord lands within the Cities of Seaside and Del Rey Oaks, and potentially within the City of Monterey.

Ord Community Ad Hoc Committee: In December 2006, shortly after LAFCO’s adoption of its first MSR for the District, MCWD formed an Ord Community Ad Hoc Committee to make recommendations to the MCWD Board of Directors regarding annexation of the former Fort Ord to the District. The committee was composed of members from MCWD, the County of Monterey, California State University Monterey Bay, the University of California Monterey Bay Education, Science and Technology Center (UC MBEST), the U.S. Army, FORA, and the Cities of Del Rey Oaks, Marina, Monterey and Seaside. In late 2008, the Committee agreed to a list of recommendations. The Committee recommended that:

- MCWD annex only within the jurisdictional boundaries of the City of Marina;
- The Seaside municipal water system and the Seaside County Sanitation District provide water and wastewater services within the Cities of Seaside, Del Rey Oaks, and Monterey;
- Unincorporated lands within the former Fort Ord be served by contract by either MCWD, SCSD, or the Seaside Municipal Water System as chosen by UC MBEST, CSUMB, the U.S. Army, or the County;
- MCWD provide wholesale water to the Seaside municipal water system through a master meter, and
- MCWD accept sewage effluent for processing from that portion of SCSD that is north of Eucalyptus.

In November 2009, the MCWD board received and discussed these recommendations. It was noted by District staff that carrying out the Ad Hoc Committee’s recommendations “would be a significant undertaking to design and plan the physical separation of the system along jurisdictional boundaries, and [would] take extensive construction activity.” The Board took no action on the recommendations.

2011 Ord Community Sphere/Annexation “Pre-Proposal”: Authority for MCWD to provide services to the former Fort Ord is rooted in the 1998 Water/Wastewater Facilities Agreement with FORA³. The terms of this agreement coincide with FORA’s existence, which is currently scheduled to sunset in July 2020.

In late 2011, the District considered a sphere of influence amendment and annexation of all of the former Fort Ord and circulated a Draft Initial Study/Negative Declaration which explored the impacts of this project. The District received a large number of comments on this document, including comments from LAFCO requesting that the District revise the project description to exclude protected open space lands of the former Fort Ord and to eliminate overlaps of service with other providers of sanitary sewer services. The District held several public hearings but ultimately did not proceed with revising/finalizing its environmental document or file an application with LAFCO at that time.

2018 Memorandum of Understanding with Seaside County Sanitation District: As of mid-2017, as LAFCO staff was coordinating with MCWD on a potential Ord Community sphere/annexation proposal, SCSD was considering filing a competing LAFCO application to annex – and become the wastewater collection service provider to – the Seaside Ord Community. MCWD filed its current smaller sphere/annexation application covering areas it already serves in April 2018.

³ Seaside High School was constructed in the 1960s on land that had been a part of Fort Ord. The land was dedicated to the school district prior to the creation of FORA. The Marina Coast Water District provides water and sanitary sewer service to this school through authorization of the U.S. Army.

In summer 2018, following several years of negotiations, MCWD and SCSD staff prepared a Memorandum of Understanding for approval by the districts' boards of directors. The MCWD board approved the MOU in July 2018. The SCSD board has considered, but has not yet approved, the MOU. The MOU outlines the parties' shared understanding that, following MCWD's annexation of former Fort Ord areas within SCSD (Seaside, Del Rey Oaks, Sand City), return flows of treated wastewater from the MIW regional treatment plant shall be used for the benefit of those communities.

As part of the draft MOU, SCSD agrees not to oppose MCWD's sphere/annexation proposal, discussed above. Based on the draft MOU, it appears likely that SCSD will no longer perceive any need to file its own separate sphere/annexation application to achieve the MOU's objectives. However, as of this writing, the SCSD board of directors has neither signed the MOU nor submitted an annexation proposal to LAFCO for SCSD to become the wastewater provider to the Seaside Ord Community.

POPULATION AND GROWTH

MCWD operates within two specific service areas:

1. Central Marina – composed of the “original” City of Marina, and later additions to the city, north of the former Fort Ord, and
2. Former Fort Ord, also known as the Ord Community. The Ord Community includes areas of Marina, Seaside, Monterey, Del Rey Oaks, and the unincorporated county. MCWD is currently proposing to annex large portions of the Ord Community service area, which it currently owns and serves by contractual agreement with FORA.

Marina is primarily a residential community. The City plans for vitalization of the downtown areas along the main commercial arteries of Reservation Road, Del Monte Boulevard and Reindollar Avenue. Major Central Marina development opportunity sites within the city's existing boundaries include Marina Station, a currently undeveloped portion of the former Armstrong Ranch. Marina Station is planned for 1,360 residential units, 60,000 sq. ft. of retail space, 144,000 sq. ft. of office space and 652,000 sq. ft. of business park industrial uses. With the exception of Marina Station, central Marina is largely built out with future growth likely to be modest.

Substantial growth is taking place in the Ord Community, and will continue to occur. Almost half of the 45-square mile former Fort Ord is designated for residential and commercial development, with the balance designated for parks and open space. The former base continues to contain lands under the control of the U.S. Army, as well as the campuses of the CSUMB and the UC MBEST Center. With continuing redevelopment of Fort Ord lands, substantial population growth is anticipated within areas of the former Fort Ord that the District has served extraterritorially since the 1990s and is now proposing to annex.

Marina experienced rapid growth from 1960 through 1990, as shown on Table 1. The population of Fort Ord was 31,270 in the 1990 census. The 2000 census illustrates a population decline which can be attributed to the closing of the military base. The City's population increased slightly in the 2010 census, but the District's population remained constant within the former Fort Ord.

Population of the City of Marina and the Former Fort Ord, 1960 to 2010						
	1960	1970	1980	1990	2000	2010
City of Marina	3,310	8,343	20,647	26,436	18,927	19,718
Ord Community (outside of the City of Marina)	Not applicable				10,886 See note	10,762
Total	3,310	8,343	20,647	26,436	29,813	30,480

Source: U.S. Census Bureau, as presented in the District's 2016 Urban Water Management Plan, Table 2.2, page 11.

Note: Populations for the City of Marina in 1960 and 1970 are estimates of the population in the area that was later incorporated as the City of Marina (1975). The City of Marina populations include the portion of the City within the boundaries of the former Fort Ord, and the former Fort Ord numbers exclude areas within the City of Marina. The former Fort Ord numbers are only shown for the period it has been served by the Marina Coast Water District.

Based on the District’s estimates and 2010 census data, MCWD has a current in-district population of approximately 18,000, and a total served population (including in the Ord Community, outside the District boundaries) of over 30,000. The Association of Monterey Bay Area Governments (AMBAG) does not prepare specific population projections for special districts. However, projections for the City of Marina may provide a reasonable proxy for MCWD growth, particularly in light of the District’s current proposal to annex large portions of the developed and developing Ord Community parcels in Marina, Seaside, and the unincorporated county (primarily East Garrison). AMBAG projects that the overall City of Marina will grow from 20,500 in 2015 to 30,500 in 2040 (a 49% total growth rate in that period, compared to 16% for the County as a whole).

As of 2016, the District’s own growth projections, which include Marina plus all of the Ord Community, anticipate an even higher overall rate of increase from 32,300 in 2015 to 70,200 in 2035. Population projections from the District’s 2015 Urban Water Management Plan (UWMP) are shown below. The table projects a doubling of the population within the District’s service area by approximately 2030.

Population Projections for Central Marina and the Former Fort Ord, 2015 to 2035					
	2015	2020	2025	2030	2035
Central Marina	17,703	18,770	24,504	25,620	26,736
Ord Community (including portion within the City of Marina)	14,672	21,694	32,144	39,015	43,425
Total	32,375	40,464	56,648	64,635	70,161

Source: U.S. Census Bureau for 2010, 2015 to 2035 projections are from the District’s 2015 Urban Water Management Plan, Table 2.3, page 12.

The population projections in this table are based on the existing population plus the anticipated occupancy of new development. These projections have been scaled back from the 2005 Urban Water Management Plan, which projected a total population of 98,700 for 2025. A reduction of the projections results from the economic downturn that dramatically slowed Fort Ord redevelopment.

According to the 2015 UWMP, the District’s service area contains a high percentage of residential uses: 90% of customer accounts and 65% of total water sales. Tourism and recreational uses are smaller components of the District’s current and future customer base. Central Marina contains hotels and visitor-serving commercial land uses, as well as Marina State Beach. A relative lack of local employment opportunities results in a high proportion of District residents who commute to employment centers in Monterey, Salinas and the Silicon Valley. The high residential percentage also results in an overall low per capita water demand. The average per capita water demand rate is projected to increase following Fort Ord’s redevelopment with an increase in commercial, office and light industrial uses. Industries with high water-use are anticipated to be constrained by the limited available water supply.

FACILITIES AND OPERATIONS – WATER AND WASTEWATER

Water Supply

A major concern throughout Monterey County is the provision of an adequate supply of water for local residents. MCWD has provided water through underground wells and plans to use desalination, recycled water, and increased conservation to meet future needs. Current water supplies and plans for their expansion are explored in this section.

Existing Water Usage and Agreements

The 2015 Urban Water Management Plan states that MCWD delivered 3,194 acre-feet of water in 2015, a decrease from 2010 levels. Mandatory restrictions on water use were in place in 2015 due to the statewide drought. In the most recent water consumption report, MCWD delivered 2,942 acre-feet of water to

customers in 2017. Approximately 1,383 acre-feet were used within Central Marina and 1,560 acre-feet were used within the former Fort Ord.

Central Marina: A 1996 agreement between MCWD and the Monterey County Water Resources Agency (MCWRA) allows the District to use up to 3,020 acre-feet per year (AFY) within Central Marina from the Salinas Valley Groundwater Basin. This agreement also places Central Marina within MCWRA's Zones 2 and 2A, which allows the District to participate in the management of water from the Salinas valley basin. An additional 1,420 AFY will become available to the District for use in two areas north of Central Marina, when and if these areas are annexed to the District and added to Zones 2 and 2A. These areas are the unincorporated former Armstrong Ranch, now RAMCO-owned, parcels (920 AFY) and the CEMEX Lapis Plant (500 AFY). While a portion of the Armstrong Ranch was annexed to the District through the 2008 Marina Station Annexation, this land has not yet been added to Zones 2 and 2A, been developed, or required the provision of water.

Ord Community: As stated in the District's 2015 UWMP, "Under the 1993 *Agreement between the United States of America and the Monterey County Water Resources Agency concerning Annexation of Fort Ord into Zones 2 and 2A of the Monterey County Water Resources Agency*, MCWRA allocated 6,600 AFY of potable groundwater to the Army for use on Fort Ord. This amount is about equal to the peak historic water use on Fort Ord. Of this, MCWRA requires that not more than 5,200 AFY may be pumped from the 180-Foot and 400-Foot aquifers, to reduce the risk of seawater intrusion. When in 2001 the U.S. Army conveyed the water and wastewater rights and infrastructure on the former Fort Ord through FORA to MCWD, the Army retained a portion of the groundwater pumping rights and wastewater treatment capacity for the Presidio of Monterey Annex (also called the Ord Military Community). The U.S. Army contracted directly with MCWD to provide municipal water supply and wastewater collection services within the Ord Military Community."

Water Supply Infrastructure

MCWD currently obtains water through the use of eight production wells. Three of the District wells are located in Central Marina and five wells are in the Ord Community. The three wells that serve Central Marina receive water from the deep aquifer, which is located approximately 600 to 2,000 feet below sea level. Four of the five wells that provide water to the former Fort Ord receive water from the 180-foot, 400-foot and deep aquifers while one well receives water from the deep aquifer. All of these wells are located within the Monterey Subbasin of the Salinas Valley Groundwater Basin.

Beginning on January 1, 2015, the California Sustainable Groundwater Management Act (SGMA) has created a statewide mandate to halt overdraft of groundwater basins. MCWRA along with the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) and the MCWD Groundwater Sustainability Agency (MCWD GSA) are responsible for regulation and supply of groundwater from the Monterey Subbasin and the adjoining 180/400 Foot Aquifer Subbasin south of the Salinas River within the Salinas Valley Groundwater Basin (SVGB), the source groundwater supply for the District. Please see the **Sustainable Groundwater Management Act** subsection, below, for additional discussion.

The District's water system facilities include eight water storage tanks and 200 miles of pipeline. The District operates the distribution and supply facilities for Central Marina and the Ord Community as two independent "cost centers" (i.e. separate entities for purposes of budgeting, planning, expenditures, and setting user rates). In 2005, the District completed a project that inter-connected the two systems while maintaining the ability to preserve a zero net balance of flows between the two areas.

The District has adopted a capital improvement program to expand, improve and maintain the water infrastructure. The current Five-Year Capital Improvement Planning Budget outlines expenditures of \$7,986,000 for Central Marina from FY 2017-18 through FY 2021-22. The CIP budget for the former Fort Ord is \$27,003,000. In addition to those projects, the District has received a \$23 million loan from the State Revolving Fund for construction of a recycled water pipeline, as part of the Pure Water Monterey Project.

Upgrading the water system within the former Fort Ord has been a priority for the District in order to meet anticipated growth and to upgrade existing facilities to meet State or local requirements.

Projected Water Availability and Demand

MCWD’s most recent (2015) Urban Water Management Plan projects future demands for water within Central Marina and the former Fort Ord, as shown in Table 3, below. The projected water demands in the 2015 UWMP are lower than in the 2005 UWMP, primarily due to the economic downturn and a slowed pace of development. Other factors lowering these projections are the use of more detailed water supply assessments and an increase in the proportion of metered water use within the residential portions of the former Fort Ord.

Salinas Valley Groundwater Basin Water Demand and Allocation by Jurisdiction, in Acre-Feet Per Year (AFY)							
	2012 ¹	2015 ²	2020	2025	2030	2035	Allocation
Central Marina ³	1,823	1,823	2,184	3,171	3,286	3,905	4,440
Former Fort Ord (including portion within the City of Marina)	2,351	2,382	4,021	6,766	7,833	8,293	6,900 ⁴
Total	4,174	4,204	6,205	9,937	11,119	12,197	11,340

Source: MCWD 2015 Urban Water Management Plan, Table 3.5, page 21.

Notes:

1. Actual demands for Calendar Year 2012.
2. Due to mandatory drought restrictions in 2015, demand is projected from the 2012 baseline.
3. Central Marina includes future water use within the Armstrong Ranch (920 AFY) and the CEMEX site (500 AFY).
4. Includes 300 AFY from District’s existing desalination plant; does not include the golf course rights to 400 AFY from the Seaside Groundwater Basin.

As referenced on page 18, the District’s calculations regarding water availability include 6,600 AFY of Salinas Valley Groundwater Basin groundwater supplies for the Ord Community, pursuant to a 1993 agreement between MCWRA and the U.S. Army. The agreement acknowledged the existence of seawater intrusion as a significant problem in the basin, and discussed groundwater pumping as needing to be replaced by a long-term, permanent regional water supply solution, and stated that “the MCWRA is currently developing such a Project to supply water to the Fort Ord Lands, Marina, Salinas, Toro Park” and “which will permit all Salinas Basin wells on Fort Ord Lands to be shut down except during emergencies” (1993 agreement, pages 2-3). The agreement anticipated such a project to either occur or achieve substantial progress by the year 2000. To date, no regional solution has been achieved. However, the District is actively working to diversify its water supply beyond groundwater, to achieving regional solutions, and to achieving long-term sustainable management of the Monterey Subbasin in accordance with the Sustainable Groundwater Management Act. These efforts are discussed in more detail below.

As the District’s 2015 UWMP states, “The [MCWD] Board does not allocate water supply to projects, but instead advises customer land use jurisdictions as to the current and historic water use within their boundaries and the estimated remaining supply available for new developments. Within the Ord Community, the FORA Board has managed the allocation of Salinas Valley groundwater supplies among the seven land use jurisdictions, and they, in turn, sub-allocate water supply to specific projects.” FORA has granted each governmental jurisdiction within the former Fort Ord an allocation of water rights, measured in acre-feet per year (AFY). For example, through a series of reallocations to other jurisdictions, FORA has allowed the U.S. Army to reduce their original allocation from 1,729 AFY to 1,562 AFY.

The 2015 UWMP projects that the current Central Marina groundwater allocation of 4,440 AFY is sufficient to meet projected demands through 2035. Adequate water is also projected to exist for the Ord Community through 2025, based on development forecasts and the current pace of development activity. However, the forecast shows a shortfall after 2025 within the former Fort Ord, growing to a 1,393 AFY deficit – net, across all jurisdictions – by the year 2035.

Furthermore, when individual jurisdictional shortfalls between the projected demand and allocation are tallied individually rather than as a group, the cumulative shortfall increases to a projected 2,601 AFY. This situation reflects that some jurisdictions are projected to exceed their allocations prior to 2020, while

others will not. For example, CSUMB is projected to need only 779 AFY of its 1,035 AFY allocation by 2035, and the City of Del Rey Oaks is projected to need 551 AFY while its allocation is only 243 AFY.

The projected water supply shortfalls in the District's Ord Community, beginning around year 2025, as outlined above, underscore an acknowledged goal of the District to reduce its reliance on groundwater pumping and continue its ongoing efforts to develop other water resources. Groundwater and MCWD water supply augmentation are discussed in more detail in the following subsections. Please note that the Ord Community projections, presented in the table immediately above, include water demand from all development projects anticipated to occur by 2035, i.e. the projections include development on parcels beyond those that are in MCWD's current sphere/annexation proposal.

Groundwater Production and Seawater Intrusion

MCWD's potable water supply comes from groundwater production wells. The District's Central Marina and Ord Community water service areas overlie portions of the Salinas Valley Groundwater Basin (Monterey Subbasin and 180/400-foot Aquifer Subbasin), and part of the Seaside Groundwater Basin. Seawater intrusion within the Salinas Valley Groundwater Basin is a significant regional concern that has been documented and mapped within the 180-foot and 400-foot aquifers since 1946. Seawater intrusion has also been observed to a lesser extent in the deep aquifer. The Water Resources Agency's most recent (April 2018) maps of seawater intrusion are included in Appendix B to this report. The MCWRA maps assume that a chloride concentration of 500 milligrams per liter is an indication of impairment by seawater intrusion. The Central Coast Regional Water Quality Control Board's Basin Plan prescribes a total dissolved solids concentration of 3,000 or less milligrams per liter as being suitable, or potentially suitable, for municipal or domestic water supply. More importantly, the monthly water quality reports submitted to the SWRCB's Division of Drinking Water for all eight MCWD production wells show less than 500 milligrams per liter chloride and do not confirm the extent of the purported seawater intrusion as depicted in the MCWRA maps.

MCWD is actively engaged in reducing its long-term reliance on groundwater pumping. Please refer to the **Sustainable Groundwater Management Act** and **Additional Water Supplies** subsections, below. In addition, the District has participated in and supported the following actions intended to slow and eventually halt and reverse seawater intrusion:

- MCWRA, in partnership with MIW, built a water recycling facility at the MIW regional wastewater treatment plant. A related distribution system delivers recycled water to approximately 12,000 acres of farmland around Castroville. Through this program, the Castroville Seawater Intrusion Project (CSIP), 13,300 acre-feet per year (AFY) of tertiary treated recycled water are delivered to agricultural fields during the irrigation season. During 2018, MCWD delivered approximately 2,200 acre-feet of untreated wastewater to MIW, which can be treated to produce approximately 1,780 acre-feet of advanced treated water. MCWD is proposing to distribute advanced treated water to urban golf courses, municipalities and institutions for the irrigation of large landscapes and public common areas.
- MCWRA's Salinas Valley Water Project funded spillway improvements to increase storage capacity in the Nacimiento and San Antonio reservoirs. The project has also involved the installation of a rubber inflatable dam on the Salinas River to redivert about 10,000 acre-feet of stored water from upper basin reservoirs that can be used in lieu of groundwater pumping for irrigation.

Sustainable Groundwater Management Act (SGMA)

Since 2015, the statewide Sustainable Groundwater Management Act "requires groundwater-dependent regions to halt overdraft and bring basins into balanced levels of pumping and recharge." The purposes of SGMA are to provide for sustainable management of groundwater subbasins, to establish standards and regulations for local sustainable groundwater management, and to provide local agencies with additional powers and authority to sustainably manage its groundwater for its customers through the formation of groundwater sustainability agencies (GSAs).

Under SGMA, one or more eligible public agencies may apply to the State for authorization to take responsibility for each currently overdrafted groundwater basin or portion of a basin. The State selects and designates an agency as the GSA for that basin or subbasin. The GSA then writes a sustainability plan and implements the plan after it has been approved by State water regulatory agencies.

All of MCWD's potable groundwater supply wells are located within the Monterey Subbasin of the SVGB. MCWD's potable groundwater comes from the Monterey Subbasin with a portion coming from the adjoining 180/400-Foot Aquifer Subbasins. The State has designated the Monterey Subbasin as a medium-priority subbasin but has designated the 180/400-Foot Aquifer Subbasin as a high-priority/Critically Overdrafted subbasin. Accordingly, the 180/400-Foot Aquifer Subbasin's groundwater sustainability plan has to be prepared by January 31, 2020 and the Monterey Subbasin plan has to be prepared by January 31, 2022.

MCWD has applied for, and received, authorization from the State to be the exclusive GSA for all areas within its existing district boundary (Central Marina). Both MCWD and the Salinas Valley Basin GSA have applied to be the GSA for the Ord Community. The SVBGSA is an existing joint powers authority whose eleven-member board includes officials and staff from the County of Monterey, South County cities, and other entities. SVBGSA is the designated GSA for various areas within Monterey County.

As of this writing, the State has not yet designated either MCWD or the SVBGSA as the exclusive GSA for the Ord Community. Whichever agency is ultimately selected for the Ord Community, SGMA will require the two neighboring agencies' sustainability plans to be coordinated and consistent with each other. To achieve this objective, in 2017 MCWD and SVBGSA entered into a coordination agreement to facilitate a positive working relationship and streamline efforts and resources moving forward. The 2017 agreement was supplemented by a December 13, 2018 Framework Agreement wherein it was agreed, among other things, that the SVBGSA would prepare a groundwater sustainability plan for the entire 180/400-Foot Aquifer Subbasin. It was further agreed that one groundwater sustainability plan would be prepared for the Monterey Subbasin with the MCWD GSA preparing the components for the Marina Management Area (Central Marina) and the Ord Management Area and the SVBGSA preparing the components for the Corral de Tierra Management Area.

Please see **Appendix C** for maps of the Monterey Subbasin and the GSA proposal overlap area between MCWD and the SVBGSA.

Water Supply Augmentation

MCWD currently relies on groundwater for its potable water supply. The District is actively working to develop additional water supplies, particularly to meet projected needs in the former Fort Ord. As outlined above in the **Projected Water Availability and Demand subsection**, the District anticipates a water supply deficit in the Ord Community beginning around 2025 unless additional water supplies are secured. MCWD plans to use a combination of recycled water, desalination, and/or other measures to provide approximately 2,400 AFY of additional water for the Ord Community.

The District and MIW are jointly pursuing an urban recycled water project. In 2003, MCWD certified the EIR for the Regional Urban Water Augmentation Project, which would provide tertiary-treated recycled water for urban use within the Ord Community and sites within the Monterey One Water service area south of Fort Ord. (Pursuant to a 1989 agreement with what was, at that time, the MRWPCA, the District may purchase "return flows" of tertiary treated wastewater from the MIW treatment plant equal in volume to the amount of District wastewater conveyed to the MIW treatment plant). In 2016, MIW certified the EIR for the Pure Water Monterey Project, which would produce advanced treated recycled water for indirect potable reuse (injection into the Seaside Groundwater Basin at one site and extraction at another). Also in 2016, MCWD and MIW entered into the "Pure Water Delivery and Supply Project" agreement. MCWD secured the right to 1,427 AFY of advanced treated water from MIW for augmentation of MCWD's Ord Community water supply and provides the conveyance pipeline from the treatment facility to the injection wellfield.

The District states that “For the remaining 973 acre-feet of water, a Memorandum of Understanding (MOU) was signed by MCWD, FORA and Monterey One Water. This is a three-party effort to study alternatives to supply the remaining water augmentation and share costs for this work. FORA staff requested that MCWD manage the planning process, and the effort kicked off in October 2018 with an estimated completion in mid-2019. In this study, we [MCWD] will thoroughly evaluate a number of options including conservation, desalination, storm water capture, aquifer storage and recovery [see below] and additional advanced treated recycled water. Over the last year, MCWD has been gathering data and developing technical information for each of these options. We plan to complete the study and develop the augmentation plan by June 2019.”

Regional Urban Water Augmentation Project (RUWAP): In 2018, MCWD constructed the recycled water transmission pipeline and water storage tank, and initiated design on the distribution system. To date, MCWD has constructed approximately ten miles of recycled water pipeline, taking advantage of opportunities to install pipelines while roads were being reconstructed. The 10-mile-long RUWAP will convey the 1,427 AFY of recycled water for use within the District (noted above) and up to 3,700 acre-feet of advanced treated water to the Pure Water Monterey injection wellfield. The District explains that “For phase 1 of the RUWAP, the pipeline will deliver 600 acre-feet of advance treated water to MCWD customers. This recycled water will be used for urban landscape irrigation instead of groundwater thereby reducing our reliance on groundwater and diversifying and expanding the District’s water supply.”

Desalination: Desalination remains a potential future element of MCWD’s long-term water augmentation strategy. As summarized in the District’s 2015 Urban Water Management Plan,

“In 1996, MCWD constructed a seawater desalination facility to explore the feasibility of extracting seawater through shallow wells along the beach. This small seawater desalination plant is located at the former wastewater treatment plant site on Reservation Road between Dunes Drive and the Monterey Bay. The source water for the plant comes from a shallow well located on Marina State Beach. This was constructed as a pilot facility, used to verify that adequate seawater supply could be produced from beach wells, and to test the use of beach injection wells for the disposal of brine. [...]

This plant is considered an available supply in the context of this UWMP, and SB 610 and 221. It is currently idle. However, the supply from the plant could be restored to function, if necessary. [...]

Under the RUWAP, MCWD evaluated replacing the pilot plant with a larger facility capable of producing up to 3,000 AFY of potable water per year. [...] In the final EIR for the RUWAP, the desalination portion was reduced to 1,500 AFY, with 1,200 AFY for the Ord Community and 300 AFY to replace the existing Central Marina plant.”

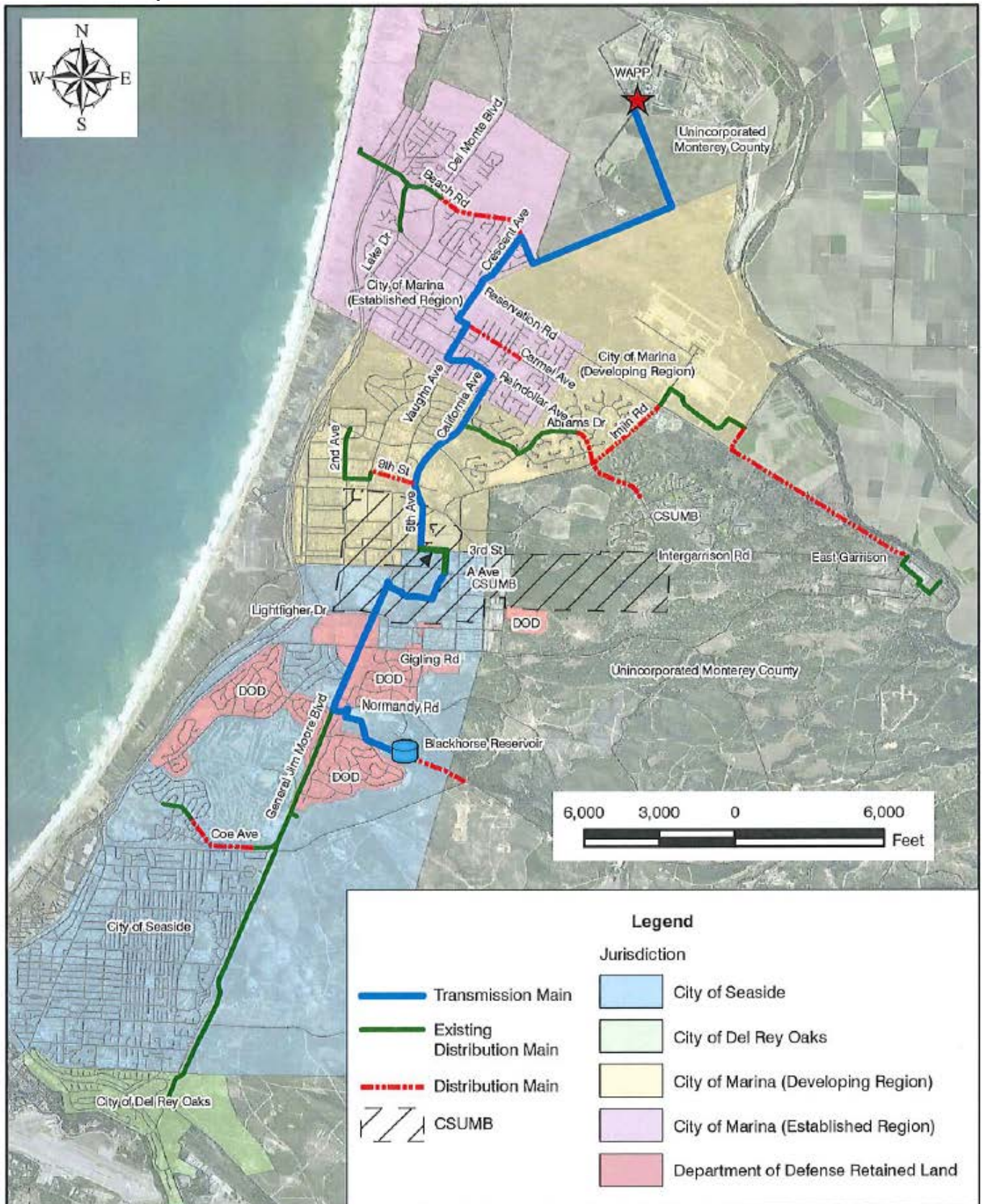
Pure Water Monterey Indirect Potable Reuse (IPR): MIW is constructing an advanced water treatment facility that will produce recycled water meeting potable water standards, and is constructing injection wells in the Seaside Groundwater Basin to store that water, after being conveyed through the RUWAP pipeline. The stored water will be extracted at other wells owned by Cal-Am for use on the Monterey Peninsula (indirect potable reuse under the Pure Water Monterey Project). The advance water treatment plant is scheduled to start production by July 2019.

Seaside Groundwater Basin

MCWD’s Ord Community service area is currently located outside its District boundaries. MCWD is currently proposing a sphere of influence amendment and annexation that would bring certain developed and entitled-for-development portions of the Ord Community into MCWD’s boundaries. A portion of this proposal area, within the City of Seaside, overlies part of the Seaside Groundwater Basin. Historically, the Seaside Groundwater Basin has been considered to be hydrologically separate from the Salinas valley basin. However, the MCWRA includes the Seaside Groundwater Basin within the Pressure subarea of the SVGB, and the State classifies the now-designated Seaside Subbasin as part of the SVGB.

Because it was adjudicated before the 2014 advent of SGMA, the Seaside basin is exempt from SGMA’s substantive requirements. The Seaside Groundwater Basin Watermaster regulates groundwater withdrawals and replenishment in the Seaside Groundwater Basin. The Watermaster was created to assist in the administration and enforcement of a 2006 Monterey County Superior Court decision that adjudicated the basin and the Watermaster is subject to the continuing jurisdiction of the Superior Court.

Figure 4: Regional Urban Water Augmentation Project (RUWAP) recycled water transmission and distribution system



The Watermaster consists of nine representatives: Cal-Am Water, the Cities of Seaside, Sand City, Monterey, and Del Rey Oaks, MPWMD, and MCWRA may each appoint one representative. A designated landowner group may appoint one representative each from its Coastal and Laguna Seca subareas.

MPWMD is the entity with responsibility for regulating the distribution of water within the MPWMD's jurisdictional boundary within the Seaside Groundwater Basin. Areas within the MPWMD jurisdictional boundary are within some portions of the areas proposed for annexation by MCWD. No new or relocated MCWD wells will be allowed in the cities of Seaside, Del Rey Oaks, or Monterey or in unincorporated areas overlying the Seaside Groundwater Basin. without the prior approval of the Seaside Watermaster.

MPWMD will continue to exert statutory authority over water resources within the MPWMD boundary, including MPWMD lands being annexed to MCWD. Under MPWMD Rule 20.C.11 (Exemptions for Water Distribution System Permit), a MPWMD Water Distribution System Permit is not required for a Water Distribution System that serves water to Parcels within the Former Fort Ord Lands within MPWMD, but does not derive water from the Seaside Groundwater Basin or the Carmel Valley Groundwater Basin. Annexation to MCWD will not alter or affect residents' existing MPWMD voting rights within the area being annexed to MCWD.

Wastewater

MCWD first became a provider of wastewater services in 1970. In that year the District constructed a wastewater treatment plant and a collection system. In 1991, the District constructed a pilot recycled water system, providing tertiary treated wastewater for irrigation of public landscaping and parks near the wastewater plant. Recycled water is an integral element of the District's long-term water supply strategy, as outlined above in the **Water Supply Augmentation** subsection.

The District joined the Monterey Regional Water Pollution Control Agency (now MIW) and, in 1992, connected to the regional treatment plant, allowing discontinuation of the District's treatment facilities. In 2018, the District conveyed approximately 2,200 acre-feet of sewage to MIW for treatment.

The U.S. Army on Fort Ord joined the Monterey Regional Water Pollution Control Agency in 1981, and connected to the regional system in 1984. In 1998, the District entered into an agreement with FORA to own and operate the wastewater facilities within the former Fort Ord.

Central Marina: In Central Marina there are five wastewater lift stations and approximately 40 miles of sewer pipelines. Except for the MIW lift station located at the intersection of Seaside Court and Reservation Road, all lift stations and sewer pipelines are operated and maintained by MCWD.

Ord Community: The wastewater facilities of the former Fort Ord were constructed over its years as an active military installation, primarily between the early 1940's through the mid 1990's. Construction, operation and maintenance of the wastewater collection system facilities were the responsibility of the U.S. Army until 1998. Deeds to the system were conveyed to the District in 2001. The wastewater collection system includes over 65 miles of gravity sewers and approximately seven miles of force mains. Sewer rates are higher within the former Fort Ord than within Central Marina, because of the need to renovate or rebuild much of the existing Army wastewater infrastructure to California standards from which the Army had been exempt. The 2005 *Ord Community Wastewater System Master Plan* included an assessment of the condition of pipeline segments and lift stations and a recommended capital improvement program. This program called for a total of almost \$12 million in improvements to meet the area's needs through 2025. Additional recommendations included the replacement of existing 4 and 6-inch diameter piping and additional flow monitoring.

SHARED FACILITIES & SERVICES

The District and the City of Marina have formed a “Joint City/District Committee” to provide formal interaction between District directors and city council members. The committee intends to facilitate coordination in working with large scale development projects, facilitating a sharing of local government resources, and improving regional planning. This committee meets on even months at the District office.

The District is a voting member of Monterey One Water (MIW), a joint powers authority composed of six cities, four special districts, the County of Monterey, and the U.S. Army. These agencies have joined together to comprehensively address regional wastewater treatment needs. While MCWD is responsible for the collection of wastewater and the maintenance of its sewer system, MIW is responsible for pumping the wastewater from MCWD’s service areas to the regional treatment plant and treating the wastewater.

MCWD does not share boundaries with any wholesale or retail water providers along its western, northern, or eastern boundaries. Along its southern boundary, it does share boundaries with the City of Seaside’s municipal water system and the private California American Water Company system. In 2010, the District constructed a potable water pipeline in General Jim Moore Blvd which is shared with Cal-Am. for Cal-Am/MPWMD’s Carmel River ASR project. There have been discussions between the District and the City of Seaside about interconnecting the two systems near Seaside High School for use in the case of an emergency.

The District has worked with the Monterey Peninsula Water Management District in the development of that agency’s Pure Water Monterey Indirect Potable Reuse Project within the Seaside Groundwater Basin. Please see the FACILITIES AND OPERATIONS – WATER AND WASTEWATER section, above, for additional discussion of the Pure Water Monterey Indirect Potable Reuse Project and MPWMD.

The 1998 service agreement with FORA assumed MCWD would provide both water and wastewater collection service to all of development parcels within the former Fort Ord. However, development parcels south of Seaside’s Coe Avenue and Eucalyptus Road are uphill of Seaside County Sanitation District’s service area, and would therefore be more easily served by SCSD. The Del Rey Oaks development parcels were annexed into the SCSD Service Area in 1998. MCWD has discussed the joint use of facilities with SCSD. This joint use would allow wastewater to flow by gravity into the existing Seaside system to optimize the system’s energy efficiency and to avoid unnecessary lift station construction and operation.

MCWD has close relationships with several other special districts and cities within the area. The agencies will utilize each other’s staff and equipment, as needed. These relationships reduce costs as they eliminate the need to hire outside contractors, and provide improved and expedited service to agency customers. Key relationships are with the City of Marina (public works), City of Seaside (public works), Monterey One Water, Castroville Community Services District, and Carmel Area Wastewater District. The MCWD Groundwater Sustainability Agency is working with the Salinas Valley Groundwater Basin GSA on developing a groundwater management plan; please see the **Sustainable Groundwater Management Act (SGMA)** subsection, above, for additional discussion.

MCWD has two main shared facilities:

- Potable water pipeline in General Jim Moore Blvd, south of Coe Avenue – The pipeline is owned by MCWD and shared with Cal-Am under a “water wheeling agreement” allowing the MCWD system to transport Cal-Am’s Carmel River ASR water both to and from the Seaside Subbasin.
- Recycled water transmission pipeline crossing through Marina and Seaside – The pipeline is owned by MCWD and shared with MIW under the Pure Water Monterey delivery and supply agreement.

Governance

MCWD is governed by a five-member board of directors who are elected at large from within the District boundaries to staggered four-year terms. Recent elections campaigns have been lively and spirited.

The board meets in the Marina City Council chambers on the first and third Monday of the month, with the first monthly meeting reserved for workshops and special meetings. Other special public hearings and neighborhood meetings are held periodically on specific issues. Until 2013, District board meetings were held in the District offices at Il Reservation Road in Marina. While this room is accessible to people with physical disabilities, public seating is limited. To allow for more attendance and public participation, the board moved its meeting location to the Marina city council chambers.

Representation for Residents of the Former Fort Ord: Being outside MCWD's current district boundaries, MCWD ratepayers are currently ineligible to vote for, or serve as, MCWD board members. This circumstance has been an acute source of concern about equitable representation among Ord Community residents for many years, and was also identified in LAFCO's first (2006) MSR for the District. Achieving direct Ord Community representation on the MCWD board is one of several motivating factors that District representatives have identified for submitting the current Ord Community sphere and annexation proposal. The District's application for LAFCO states "The primary purpose of the project is to provide a fair governance structure for those receiving water and wastewater service from the District."

Bringing the Ord Community into the District, as proposed, will significantly alter the District's current population. MCWD estimates that its 2015 overall service population was approximately 32,375 people, of which 17,703 lived within Central Marina (i.e. within current District boundaries), with the other 14,672 in the Ord Community. Based on those numbers, and given the growth that has taken place in the Ord Community since 2015 – particularly in East Garrison and several residential developments in the Marina portion of Fort Ord) – the proposed annexation would immediately approximately double the current in-district population.

In the longer-term outlook, additional growth in the Ord Community beyond the scope of the current sphere/annexation proposal will likely outpace growth in Central Marina – which will consist primarily of Marina Station and possibly the currently unincorporated Armstrong/RAMCO parcels, north of Marina – further increasing the Ord Community proportion of MCWD's overall population. The District's 2015 Urban Water Management Plan projected that the Ord Community population will outnumber the Central Marina population by 2020 (see Table 2 in the **Population and Growth** section, above), suggesting that the shift in the majority of total served population may have already occurred.

County Registrar of Voters records indicate that, as of early February 2019, there were 9,161 registered voters within existing MCWD boundaries (i.e. Central Marina) and 6,816 registered voters in the Ord Community area that the District is currently proposing to annex. On that basis, to date, the population shift to an Ord Community majority within MCWD's overall service area, described in the preceding paragraph, is not yet reflected in the voter numbers. The current voter split between Central Marina and Ord would be approximately 57%/43% if the annexation were currently in effect. However, many new residents (voters) are currently moving into the Ord Community as new housing units are being completed, while no such change appears to be occurring in Central Marina.

If the proposed sphere amendment and annexation are approved, registered voters residing in Seaside and unincorporated County portions of the proposal area – both existing residents and future residents of not-yet-built/occupied units on the annexed parcels – will become eligible to vote for, and serve, as District directors. This circumstance is a departure from past practice; until now, all eligible MCWD voters have been City of Marina residents. The jurisdictional expansion of the voter base, beyond Marina, will create the potential for different board representation and other changes in the District's political culture over time.

As stated above, MCWD is governed by a five-member board of directors, elected at large (i.e., MCWD does not have election districts). The District is not planning any changes to its existing board structure at this time. Some types of special districts have flexibility in the number of board directors, and use that flexibility to add director seats when annexing significant new territory. Under State law, MCWD is a “County Water District” organized pursuant to, and subject to the requirements of, California Water Code, Division 12. Section 30500 of this statute specifies that each water district shall have a board of five directors.

Water User Advisory Committee

While residents of the former Fort Ord are not represented on the District Board of Directors, since 1997 they have received some representation through FORA’s Water and Wastewater Oversight Committee (WWOC). The primary function of the WWOC is to meet and confer with District staff in the development of operating and capital budgets and the corresponding customer rate structures. The WWOC is composed of staff representatives from the County of Monterey, CSUMB, the UC MBEST Center, and the Cities of Del Rey Oaks, Marina, Monterey and Seaside.

In April 2019, in the interests of increasing the voice of MCWD-served communities, the District’s executive committee directed MCWD staff to proceed with forming a new Water User Advisory Committee that would include the Army, Cities, CSUMB, and the County (i.e. all agencies that receive an allocation from FORA). The new committee will meet regularly and provide input to the Board of Directors. MCWD staff anticipates that the committee may be established and operational by mid- to late 2019. In the intervening time, next steps will include developing and approving policies and procedures (or bylaws) for the committee with input from the participating agencies, along with identifying the actual individuals who will serve on the committee.

Transparency and Accountability

In 2013, the District board began a review of the District’s policies and practices. As part of this review, the District held a strategic planning workshop in April 2013. The purpose of this Saturday workshop was to consider the District’s mission, vision and core values statements, and to discuss a five-year strategy for the District. The most recent strategic plan update was in September 2017

The board of directors is guided by a 16-page Board of Directors Procedures Manual that consolidates policies and procedures approved by the board. Per the manual, board members receive compensation for his/her services at a rate of \$50 for attending each Board meeting. No compensation will be paid to any director for attending other types of meetings such as standing, special or ad-hoc committees. Directors shall be reimbursed for actual necessary expenses incurred in the performance of official business of the District consistent with the reimbursement schedules and policies of the District for District employees.

Board meetings are open and accessible and are publicly noticed in accordance with the Brown Act. Each board meeting has a time on the agenda reserved for public comments. The board limits closed session discussions to issues allowed by State law. The board’s procedures manual states that notice of public meetings is to be posted at the 11 Reservation Road District office and at the City of Marina’s offices (i.e., outside the City Council chambers)

Directors are required by the procedures manual, and by State law, to receive ethics training at least every two years. Limitations on public gifts are outlined and directors are referred to State Fair Political Practices Committee Documents for detailed information. Directors submit Form 700 Statements of Economic Interests as required by the State. The District’s web site contains thorough information concerning District services. In addition to meeting agendas and agenda materials, the website provides District financial information, the quarterly newsletter, annual financial audits, and copies of District resolutions, codes, and ordinances., and answers to frequently asked questions regarding water quality, conservation and billing.

MCWD customers receive an annual consumer confidence report and are provided with information on how to contact the District with further questions or comments. The District collects customer comment cards on an on-going basis. Periodic customer satisfaction surveys are conducted by an education and

outreach consultant. The most recent survey was in 2016. In recent years, MCWD's role in developing a regional solution to Monterey Peninsula water shortages has increased public awareness of the District beyond Marina. District Board Meetings are videotaped and broadcasted on public access television.

Staffing and Regulatory Oversight

Staffing

The District has 38 full-time, permanent staff positions. The management team includes:

- General Manager
- District Engineer
- Human Resources/Risk Administrator
- Operations and Maintenance Superintendent
- Director of Administrative Services
- Water Resources Manager

MCWD policies require the general manager to be a licensed civil engineer. The State Water Resources Control Board also requires that the District Engineer be a licensed civil engineer. The MCWD engineering staff currently includes two additional licensed civil engineers.

The District is proactive in maintaining skills through staff training. Training provided for MCWD employees during the last two years include:

- For system operators: Asbestos pipe handling, confined space entry, defensive driving, CPR, CCTV Operations, crane safety, respiratory fit testing, hearing protection and testing, fire extinguisher use, hazardous material spill response, and numerous other classes and seminars for water and wastewater operations, along with weekly safety trainings.
- For all staff: Ethics, sexual harassment prevention, supervisor/leadership training, on-line topics through ACWA Target Solutions.
- For finance staff: Generally Accepted Accounting Principles (GAAP) annually.

Regulatory Oversight

MCWD's water system is permitted and regulated by the SWRCB Division of Drinking Water. The District's water system staff prepares monthly reports and an annual report to the DDW. The DDW also performs an annual inspection of the water facilities. Domestic Water Supply permits are updated whenever significant changes to the water system are made. Otherwise, permits stay active and unchanged. MCWD's permit issued July 20, 2007 was last amended December 12, 2012. MCWD has had no water system violations in the past five years.

The water and sewer systems are subject to the California Code of Regulations, Titles 17 and 22, which derive from the Federal Clean Water Act and Safe Drinking Water Act. MCWD has had 40 reportable sewer spills in the last five years, each addressed at the time of the occurrence. There are no outstanding administrative actions.

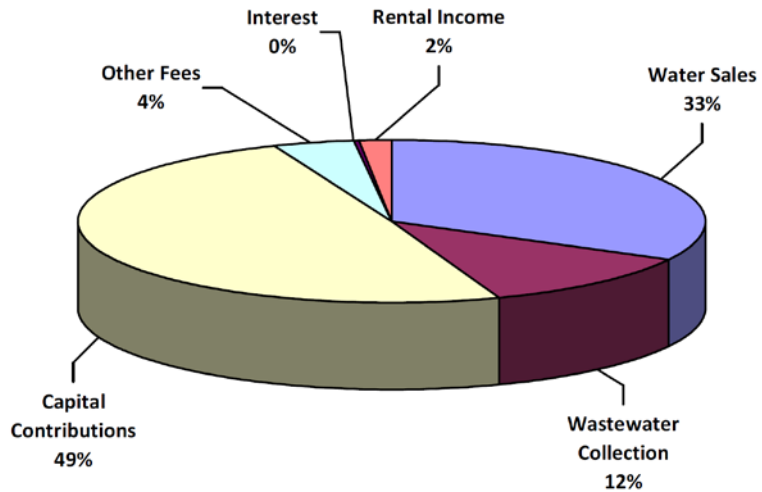
Monthly water quality reports are sent to the State DDW, which annually performs a site inspection of all potable water facilities. Sewer system overflows are also reported to the SWRCB when they occur. Internal evaluations are done on both water and wastewater. The District has a Sewer System Management Plan that is audited annually.

In addition to external oversight, MCWD internally tracks various metrics for its water and wastewater services. Some examples for water service include potable water in gallons pumped from wells, consumer consumption, customer complaints, chlorine levels, ground water levels, and operator certifications. For sewer services, some examples include sewer flows to the regional treatment plant, sanitary sewer overflows, customer complaints, inspection reports and operator certifications. All activities, whether preventative or reactive, are tracked via work orders in the District's computer maintenance management system.

FINANCES

Revenues

MCWD finances its water sales and wastewater collection operations through user fees – i.e. water and sewer ratepayer fees – and other income such as capital contributions (largely grant funds received for the RUWAP project described in the **Water Supply Augmentation** section of this report). Total revenue for fiscal year 2017-2018 was \$33.0 million, up \$12.1 million or 57.7% from the prior year. The District receives no property tax revenue.



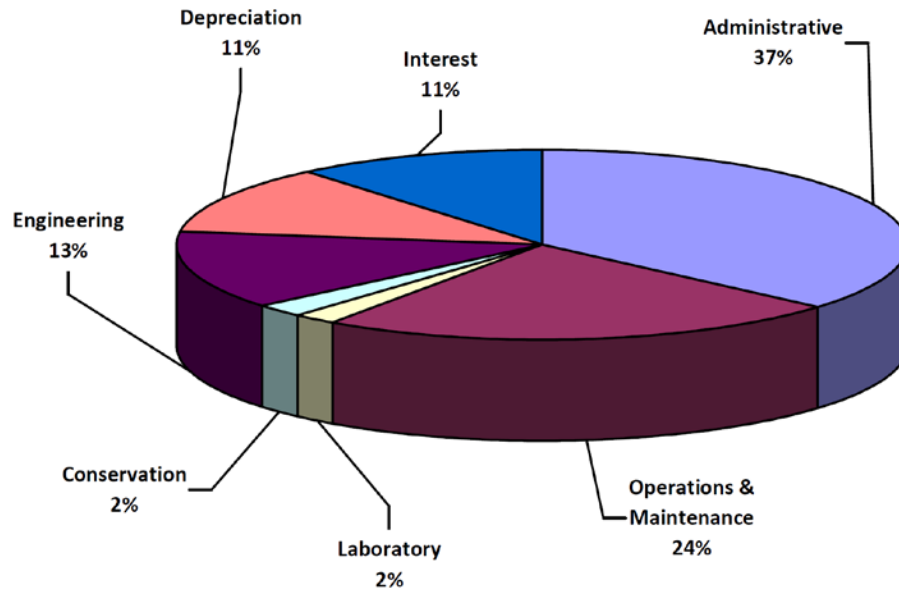
Operating revenues and total revenues have increased in each of the last three fiscal years.

	June 30		
	2018	2017	2016
<u>Operating Revenues:</u>			
Water sales	\$ 10,844,656	\$ 9,486,324	\$ 8,620,556
Wastewater collection	3,828,160	3,450,138	3,116,103
Other services & fees	1,345,278	748,872	363,606
Total Operating Revenues	16,018,094	13,685,334	12,100,265
<u>Nonoperating Revenues:</u>			
Rental income	519,024	566,651	764,986
Interest earned	132,986	64,012	618,904
Total Nonoperating Revenues	652,010	630,663	1,383,890
<u>Capital Contributions:</u>	16,364,028	6,630,732	2,948,012
Total Revenues	\$ 33,034,132	\$ 20,946,729	\$ 16,432,167

Note: The pie charts and tables in this section are derived from the District's Comprehensive Annual Financial Report for the fiscal years ended June 30, 2018 and 2017

Expenses

Total expenses for FY 2017-2018 were \$13.5 million, which is an increase of \$0.8 million or 6.2% from the previous fiscal year. Administrative expenses increased \$0.7 million and engineering expenses increased \$0.2 million coupled with a decrease of \$0.1 million in depreciation expense from the prior year.



In the last three completed fiscal years, operating expenses have trended upward while total expenses have remained fairly constant.

	June 30		
	2018	2017	2016
<u>Operating Expenses:</u>			
Administrative	\$ 4,907,644	\$ 4,220,398	\$ 3,118,186
Operations and maintenance	3,181,860	3,173,240	3,140,765
Laboratory	251,818	256,607	238,256
Conservation	301,155	304,338	376,383
Engineering	1,822,501	1,656,803	1,494,965
Depreciation	1,555,935	1,615,194	1,579,973
Total Operating Expenses	12,020,913	11,226,580	9,948,528
<u>Nonoperating Expenses:</u>			
Interest expense	1,510,940	1,511,925	2,954,075
Investment loss	-	-	474,892
Bond issuance costs	-	-	268,534
Total Nonoperating Expenses	1,510,940	1,511,925	3,697,501
Total Expenses	\$ 13,531,853	\$ 12,738,505	\$ 13,646,029

Net Annual District Income and Net Position

The District's annual net income equals revenues minus expenses. That figure, plus one-time capital contributions – such as grant funds and connection fees – constitutes the annual change in the District's net position. Net position is the difference in value between an agency's assets and liabilities.

As shown below, in the last three fiscal years the sum of the District's income and capital contributions has been positive, yielding an increased net position. This increase is primarily driven by capital contributions and the District's investments in its capital assets. The District's assets and liabilities are discussed in more detail below, and are also summarized in Appendix C.

	June 30		
	2018	2017	2016
Beginning Net Position, as restated	\$ 150,229,879	\$ 143,032,654	\$ 140,246,516
Income before contributions	3,138,251	1,577,492	(161,874)
Capital contributions	16,364,028	6,630,732	2,948,012
Change in net position	19,502,279	8,208,224	2,786,138
Ending Net Position	\$ 169,732,158	\$ 151,240,878	\$ 143,032,654

Assets and Liabilities

As shown in the table above, MCWD has a net position – i.e. assets net of liabilities – of approximately \$169.7 million.

The District's total assets are \$231.9 million, the majority of which represents capital assets of \$203 million. Capital assets includes land, water/wastewater rights, easements, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction in progress. (These physical assets have financial value but are not available for spending). Cash, investments, accounts receivable, and other assets make up the balance of about \$28.9 million.

Liabilities are approximately \$62.2 million, of which \$19.6 million is “current” (short-term) in nature, primarily accounts payable and a line of credit. Non-current liabilities of \$42.6 million include \$34.4 million in long-term debt associated with the District's capital improvement projects. Non-current liabilities also include approximately \$6 million in aggregate net pension liability and Other Post-Employment Benefit (OPEB) liability related to the District's participation in the California Public Employees' Retirement System (CalPERS).

MCWD maintains a strongly positive net position. However, most of the District's non-capital assets are restricted for certain specified purposes, as further discussed in the Reserves subsection, below.

Reserves

The MCWD board of directors has an adopted policy of maintaining reserve funds. The policy states:

“The District manages its reserves to (i) permit funding consistent with its annually updated five-year capital improvement program and five year rate study financial plan; and (ii) avoid significant rate fluctuations due to changes in cash flow requirements. The ability of the District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases and ensuring overall financial strength.”

The District has established the following categorization of reserve funds:

- Restricted funds – comprised of proceeds from the sale of bonds, financial contributions from other public agencies, and monies collected from developers to pay for the new facilities necessary to deliver water and wastewater service to newly developed property
- Board-designated funds – comprised of the Rate Stabilization, Capital Replacement and Improvement, Emergency, Administrative & General, and Operating Reserve funds

The policy sets specific dollar-amount target levels for some of the board-designated funds. MCWD staff states that, in cases where the policies establish target levels, the levels are generally being met. The District monitors its operating reserve based on a maximum level of 50% of operating costs. At mid-year FY 2018-2019, the District’s operating reserve balance was 97% of maximum target level. Per the District’s FY 2018/2019 Mid-Year Report, the District has \$6.5 million in unrestricted operating reserves.

District Budget and Financial Planning

The District board of directors annually prepares and adopts an operating budget and updates its five-year Capital Improvement Program (CIP). A CIP is a short-range plan that identifies capital projects and equipment purchases, provides a planning schedule, and identifies options for financing the plan. The budget is a detailed annual operating plan that identifies estimated costs and revenues. The budget includes the projects, services, and activities to be carried out during the year, along with available revenues. Per the 1998 Facilities Agreement between FORA and MCWD, FORA must annually approve the Ord Community-related elements of the budget.

The adopted MCWD budget anticipates approximately \$40.1 million in revenues and expenses. The budget outlines over \$25 million in capital improvement projects. The budget also relies on a net transfer of approximately \$1.5 million from reserves to cover anticipated expenditures. Budget control is maintained through a quarterly comparison of actual expenditures with appropriations which is reviewed by the Board of Directors. The General Manager has the authority to transfer appropriations between activities, although Board approval is required for an overall increase in appropriations and changes in the CIP.

In addition to the CIP, development of the District’s annual budget is guided in part by:

- A five-year rate study and financial plan, adopted by the board in January 2018, which identifies resources needed for properly funding District operations and the CIP through fiscal year 2023, and
- A February 2018 cost allocation plan providing recommendations as to how MCWD overhead costs should be allocated among MCWD’s four primary cost centers (Central Marina water and sewer, Ord Community water and sewer)

The availability of revenues to fund the budget depends partly on water sales and wastewater service fees; as discussed in the **Revenues** subsection above, these two categories make up the bulk of the District’s operating revenues. Central Marina and Ord Community rates are calculated and accounted for separately, due to the systems’ differing needs and related expenditure needs. As described in the budget, “The District maintains separate cost centers to ensure that revenues and expenses are appropriately segregated and maintained for the Marina systems, the Ord Community systems, and the accruing costs for the Regional Urban Water Augmentation Project (RUWAP).”

User rates are established through rate studies which are completed every five years, most recently in 2018, as noted above. Based on the 2018 rate study, the District conducted a Proposition 218 ratepayer notification process and adopted rate increases in 2018 for both the Marina and Ord Community service areas for fiscal years 2019 through 2023.

MCWD strives to be cost-effective and reduce expenses for the District and ratepayers. Some ongoing examples provided by MCWD representatives include competitive bidding for capital projects and major purchases; asset management using computerized maintenance management system software, preventive maintenance for fleet vehicles and pump stations, and obtaining grants and low-interest loans for capital projects and groundwater sustainability studies. The District’s finances are professionally audited by a qualified accounting firm every two years, in accordance with State law and best practices.

FUTURE CHALLENGES AND OPPORTUNITIES

Alleviating Seawater Intrusion; Achieving Sustainable Groundwater Yield; Diversification of Water Sources: The longstanding problem of seawater intrusion into the Salinas Valley Groundwater Basin, stemming from decades of basin overdraft by agricultural and domestic water users, poses an ongoing threat to MCWD's potable water supply. Working in conjunction with the SVBGSA, MCWRA, MIW, MPWMD, and Seaside Watermaster, the District is committed to implementing SGMA's statewide mandates to achieve sustainable groundwater yields within the Monterey Subbasin and the adjoining 180/400 Foot Aquifer Subbasin, while at the same time taking proactive measures to augment and diversify its water supply with sources other than groundwater. In addition to providing recycled water for MCWD users, the District's RUWAP recycled water transmission pipeline system will provide benefits beyond the District by also serving the MIW Pure Water Monterey Project. As a Groundwater Sustainability Agency, MCWD is required to complete a Groundwater Sustainability Plan by 2022 for the Monterey Subbasin and as separate plan by January 2020 for the 180/400- foot basin. In concert with these Groundwater Sustainability Plans, MCWD is currently analyzing various new water source projects to provide the necessary supplies to meet existing potable and recycled water allocations for the jurisdictions it serves. These new water sources include recycled water and stormwater (for percolation, injection, or direct use as allowed) and desalination (ocean or brackish groundwater). MCWD has rights to all wastewater flows from MCWD to MIW, which can be returned to MCWD as advanced treated recycled water. MCWD is committed to using these rights for the purpose of providing the necessary water supplies to those jurisdictions it serves.

Cal-Am desalination plant: In a related matter, MCWD has serious concerns about the planned Cal-Am desalination plant (Monterey Peninsula Water Supply Project, or MPWSP). If constructed, this facility will provide augmented potable water to the Monterey Peninsula. The Cal-Am project includes a system of subsurface slant wells to take in a mix of seawater, brackish groundwater, and potable groundwater. The proponent's preferred site for the subsurface slant wells is the CEMEX property located north of the District boundary, within the City of Marina. The District's stated position is that the slant wells will further draw down groundwater levels and increase seawater intrusion in the critically overdrafted 180/400-Foot Aquifer Subbasin and the adjacent Monterey Subbasin, thus threatening MCWD's groundwater supply. The California Public Utilities Commission (CPUC) recently approved a Certificate of Public Convenience and Necessity for the project; however, the project must still obtain various permits and approvals before it is fully approved as a project for construction. MCWD has commenced California Supreme Court litigation challenging the CPUC's decisions under the California Constitution, the Public Utilities Code, and California Environmental Quality Act. The City of Marina has also commenced Supreme Court litigation challenging the CPUC's approval of this project. In addition, the District believes the project may be subject to additional challenges regarding water rights, compliance with the Sustainable Groundwater Management Act, and compliance with the Central Coast Regional Water Quality Control Board Basin Plan.

Cal-Am has applied to the City of Marina for a Coastal Development Permit for the MPWSP. On February 14, 2019, the City's Planning Commission made an initial determination to deny the CDP on the grounds the MPWSP is not consistent with the City's Local Coastal Program, directed staff to prepare findings denying the Cal-Am's application, and continued the hearing to March 7, 2019. On March 7, 2019, the Planning Commission adopted findings denying Cal-Am's CDP application based on its direction to City Staff at the February 14, 2014 meeting. Cal-Am has appealed the Planning Commission's decision to the City Council.

Expanding the MCWD voter base: Achieving MCWD voting rights for Ord Community residents has been a long-term objective that the District's current sphere amendment and annexation proposal is now addressing. Bringing the Ord Community into the District will provide full and equitable voting rights for all District customers. However, this welcomed change will also immediately nearly double the current number of in-district voters, as well as greatly expanding the geographical extent of the voter base. While the District embraces this shift and has had many years to plan for its implementation, the sheer scope of this change is significant, following many years of few jurisdictional boundary changes. The increased

number of voters will also make future District elections more expensive. It should be noted that the District has held Proposition 218 hearings to adopt new water and wastewater rates for the Marina and Ord Communities. This process required MCWD to contact all property owners served by the District (both inside and outside of its current boundaries) to inform them of public hearings and to obtain protest votes on proposed new rates. This was most recently done in March 2018 and included a similar, if not the exact same, customer base that is now proposed to be annexed into the District.

Aging infrastructure: Like many other public agencies, MCWD faces challenges related to aging and outdated infrastructure. Particularly in MCWD's situation, the Ord Community (former Army) public water and wastewater systems that the District received from FORA in 2001 have required substantial reinvestment and improvements. The District has determined that its existing total reservoir storage capacity of 11.2 million gallons is short of the projected build-out need of 19.7 million gallons. It was also determined that approximately half of the existing storage facilities, pipelines and pumping facilities need to be replaced because these facilities are reaching the end of their service life. This has been documented by a number of sources including master plans, condition assessments and evaluations.



DETERMINATIONS

MUNICIPAL SERVICE REVIEW DETERMINATIONS – per Government Code section 56430

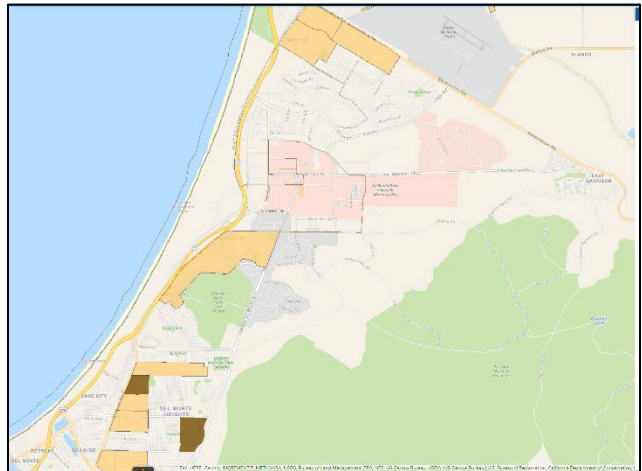
1. Growth and Population Projections for the Affected Area

The Marina Coast Water District’s existing sphere of influence includes most of the City of Marina’s sphere, excluding that portion of the city that was previously within Fort Ord and the CEMEX property. Future population growth in the District’s existing sphere is likely to be modest, with the potential exception of the Marina Station development. Substantial growth is anticipated within areas of the former Fort Ord that the District has served extraterritorially since the 1990s and is now proposing to annex.

Based on the District’s estimates and 2010 census data, MCWD has a current in-district population of approximately 18,000, and a total served population (including in the Ord Community, outside the District boundaries) of over 30,000. The Association of Monterey Bay Area Governments (AMBAG) does not prepare a specific population projections for special districts. However, projections for the City of Marina may provide a reasonable proxy for MCWD growth, particularly in light of the District’s current proposal to annex large portions of the developed and developing Ord Community parcels in Marina, Seaside, and the unincorporated county (primarily East Garrison). AMBAG projects that the overall City of Marina will grow from 20,500 in 2015 to 30,500 in 2040 (a 49% total growth rate in that period, compared to 16% for the County as a whole). As of 2016, the District’s own growth projections, which include Marina plus all of the Ord Community, anticipate an even higher overall rate of increase from 32,300 in 2015 to 70,200 in 2035.

2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities (“DUCs”) Within or Contiguous to the Sphere of Influence

State law defines DUCs as unincorporated communities with an annual median household income that is less than 80 percent of the statewide annual median household income. Census block group data available through the California Department of Water Resources indicates that several areas within the District’s existing and proposed sphere are below 80% of the statewide median income. However, these areas – shown in beige and brown on the map at right – are within the jurisdictional boundaries of Marina or Seaside, i.e. they are not unincorporated. These are areas that are also already currently served by the District, whether or not they are located within District boundaries. There are no identified unserved or underserved DUCs within the District’s Sphere of Influence or contiguous to it.



3. Present and Planned Capacity of Public Facilities, Adequacy of Public Services, and Infrastructure Needs and 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)

The District has established itself as a capable provider of water and wastewater services within its existing boundaries and within the former Fort Ord areas now proposed for annexation. The District has constructed, acquired and adequately maintains the water supply and wastewater infrastructure. Concerns regarding the adequacy of the regional water supply will continue throughout the greater

Monterey Peninsula area and the Salinas groundwater basin, and will continue to be a constraint on future development.

4. Financial Ability of Agency to Provide Services

The District has demonstrated a financial ability to provide services within its boundaries and the former Fort Ord. The District has historically maintained a positive balance of revenues over expenses. It budgets revenues and expenses annually and concurrently updates its capital improvements plan. Its financial status is reviewed biennially in professionally prepared audits. This service review's Finance section outlines relevant financial information for the District, and demonstrates the District's financial solvency.

5. Status of, and Opportunities for, Shared Facilities

The District is a member of the joint powers authority Monterey One Water (MIW, formerly the MRWPCA). The eleven-member MIW operates the regional treatment plant, treating wastewater collected by the member agencies.

The District has discussed interconnections with water systems to the south operated by the City of Seaside and the California American Water Company (Cal Am). The District has also discussed cooperative agreements with the Seaside County Sanitation District.

6. Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies

Registered voters within the District elect directors on an at-large basis. Elections are frequently contested and spirited. The District maintains an informative website and meets the requirements of State law for transparency, accountability and ethics as outlined in this review. Approval of this District's current proposal will bring District ratepayers in the former Fort Ord into MCWD's boundaries, giving them voting rights in District governance and increasing public awareness of District operations and activities.

7. Any Other Matter Related to Effective or Efficient Service Delivery, As Required by Commission Policy

LAFCO has reviewed its local policies and there are no other pertinent matters.

SPHERE OF INFLUENCE DETERMINATIONS – per Government Code section 56425(e)

Based on the recommended determinations in this section, and the information in this study, this study provides support for the recommended Sphere of Influence expansion for Marina Coast Water District.

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

MCWD's existing sphere and boundaries, largely mirroring those of the City of Marina, encompass a wide range of land uses, including open spaces and agricultural land. The primary agricultural area within the District's sphere is the overall area formerly known as Armstrong Ranch. A 320-acre portion of this site is already within the City of Marina and is planned for mixed-use development. The majority of the other Armstrong Ranch parcels, an approximately 1,200-acre area – similar in size to central Marina – were purchased by RAMCO Enterprises, L.P. in 2017. Since the purchase, much of that area has been converted from grazing lands to strawberries and other row crops. The RAMCO-owned parcels are within both MCWD's and the City's existing sphere. They are not proposed for annexation at the present time. In 2000, a successful ballot measure imposed a growth moratorium on the parcels now owned by RAMCO. The moratorium is set to expire in 2020.

MCWD's proposed sphere and annexation area contains no agricultural or open space lands. The proposal area consists of existing developed lands (with existing MCWD ratepayers) and other lands designated for, and largely already entitled for, various types of development.

2. The Present and Probable Need for Public Facilities and Services in the Area

MCWD's operations and activities meet the existing and proposed boundary expansion area's need for water and wastewater services. With an expanding population, particularly in the Ord Community, the need for these services will continue to incrementally expand. The District maintains and continues to invest in infrastructure to serve its existing and future customers.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

MCWD has consistently demonstrated capacity to provide water and wastewater services to customers in both its existing and proposed sphere. The District actively plans and budgets for system enhancements to ensure continuity of these services for current and future customers.

The Salinas Valley Groundwater Basin has a long-term problem with seawater intrusion due to overdrafting of groundwater. The District currently relies 100% on groundwater for its public water supply. All of MCWD's water supply wells overlie the Monterey Subbasin of the Salinas basin, and will continue to pump from the Monterey Subbasin in the future. MCWD is taking active measures to diversify its water supply through conservation, recycled water, and desalination, thereby reducing reliance on groundwater pumping. The District has been designated by the State as an exclusive Groundwater Sustainability Agency (GSA) within portions of the Monterey Subbasin and the adjoining 180/400 Foot Aquifer Subbasin. The District, in coordination with the Salinas Valley Basin GSA, is the lead agency in preparing the Groundwater Sustainability Plan (GS Plan) for the Monterey Subbasin in compliance with the Sustainable Groundwater Management Act. The GS Plan will, among other requirements, identify the sustainable yield, the sustainability goal, and the sustainable groundwater management program for the Monterey Subbasin. The GS Plan is required to be adopted no later than January 31, 2022.

MCWD has limited its current sphere of influence amendment and annexation proposal area to only include areas with existing water connections or approved development entitlements. This limited scope of the proposal area reduces the proposal's potential impacts on groundwater resources. However, groundwater overdrafting and seawater intrusion in the Salinas Valley Groundwater Basin will remain a significant issue affecting the District's provision of sustainable water to its served communities.

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

There are no social or economic communities of interest in the area that have been determined to be relevant to the District.

APPENDICES

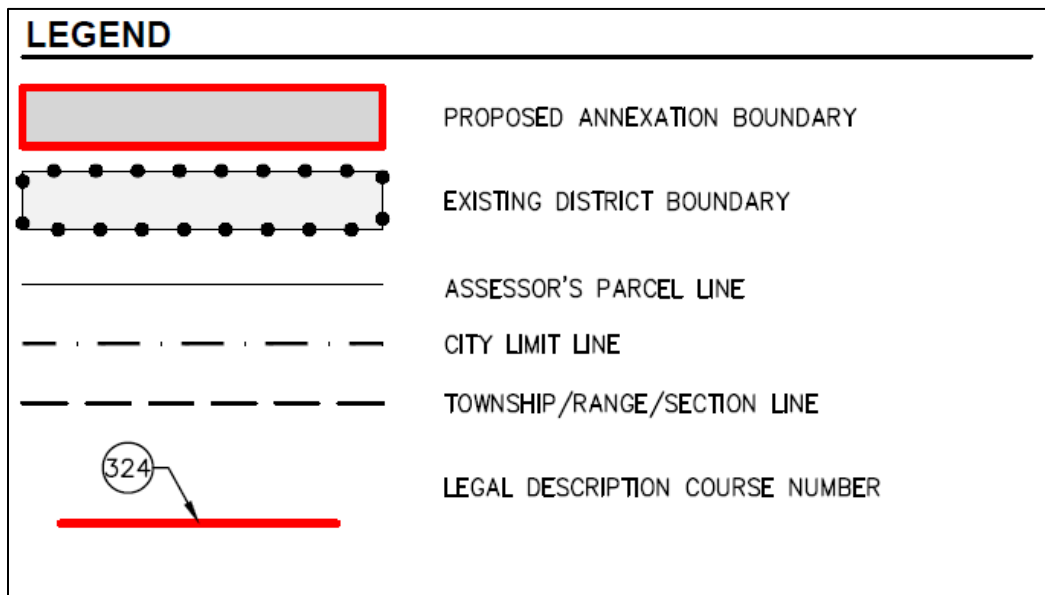
A) MCWD SPHERE AMENDMENT AND ANNEXATION PROPOSAL MAPS

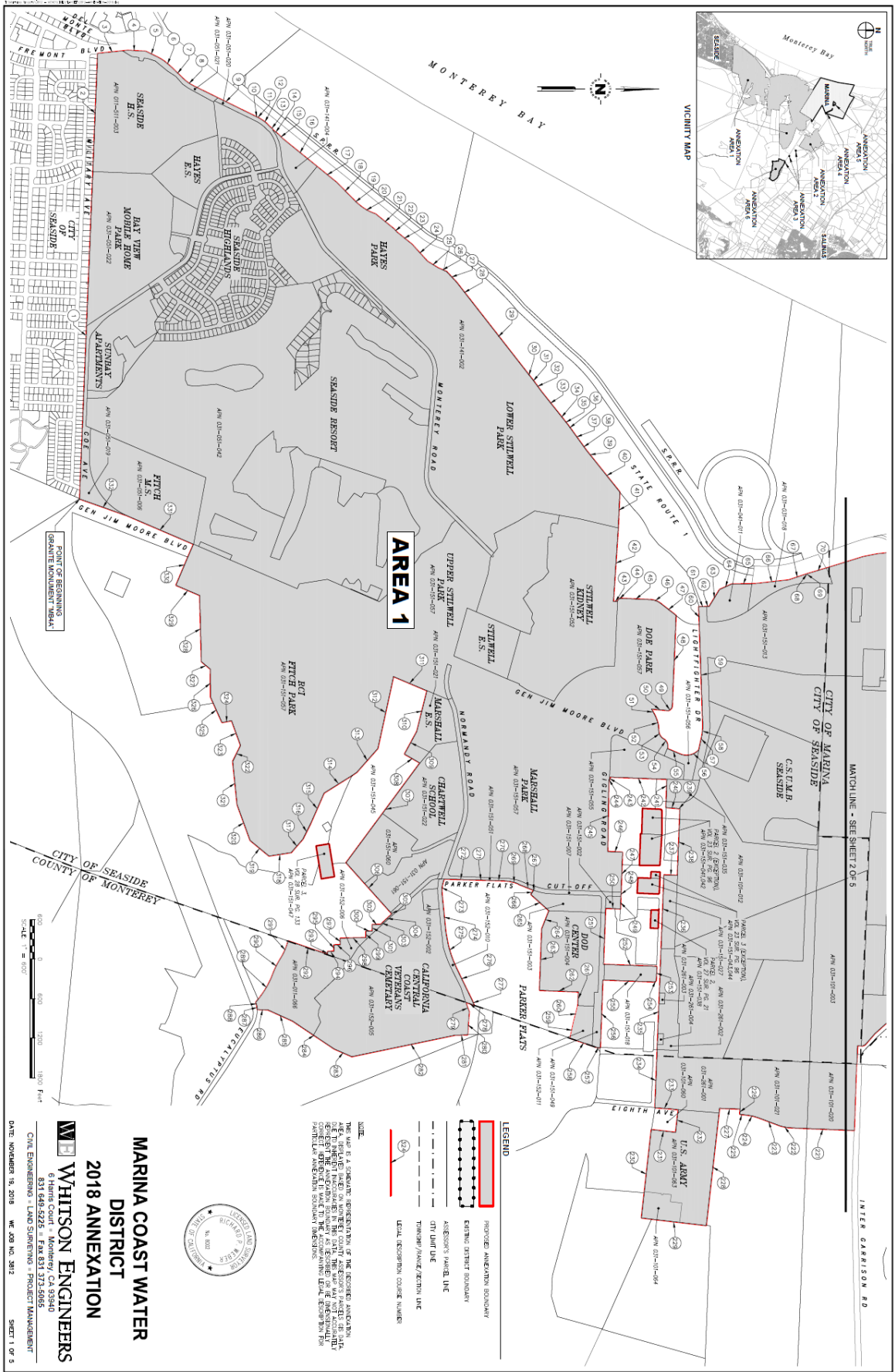
In April 2018, MCWD submitted a sphere of influence amendment and annexation application for a large portion of the District's Ord Community current extraterritorial service area in Marina, Seaside, and the unincorporated county. The proposal area included parcels where district services are currently being provided, or are anticipated to be provided in connection with development projects in the foreseeable future.

In March 2018, before the application had been formally submitted to LAFCO, LandWatch Monterey County and Keep Fort Ord Wild each filed lawsuits against MCWD, as the lead agency for this proposal under the California Environmental Quality Act. The suits primarily asserted that the proposed annexation would cause significant and unmitigated environmental impacts by facilitating increased groundwater pumping from the Salinas Valley Groundwater Basin.

In September 2018, MCWD, LandWatch, and Keep Fort Ord Wild entered into a settlement agreement resolving both lawsuits. As part of the agreement, MCWD agreed to remove 27 parcels, or portions of parcels, from its sphere/annexation proposal. The removed parcels generally either contain infrastructure but are not anticipated for development, or are anticipated for development to occur in a longer timeframe and have no existing entitlements – for example, in the Seaside Campus Town Specific Plan area, and certain parcels in the UC MBEST center. Parcels in the latter category will be proposed for annexation to MCWD at a later date, in conjunction with a specific development project.

Areas included in the current MCWD proposal are shown on the following pages.





MARINA COAST WATER DISTRICT
2018 ANNEXATION

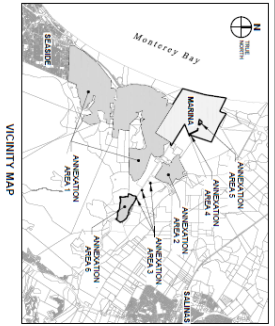
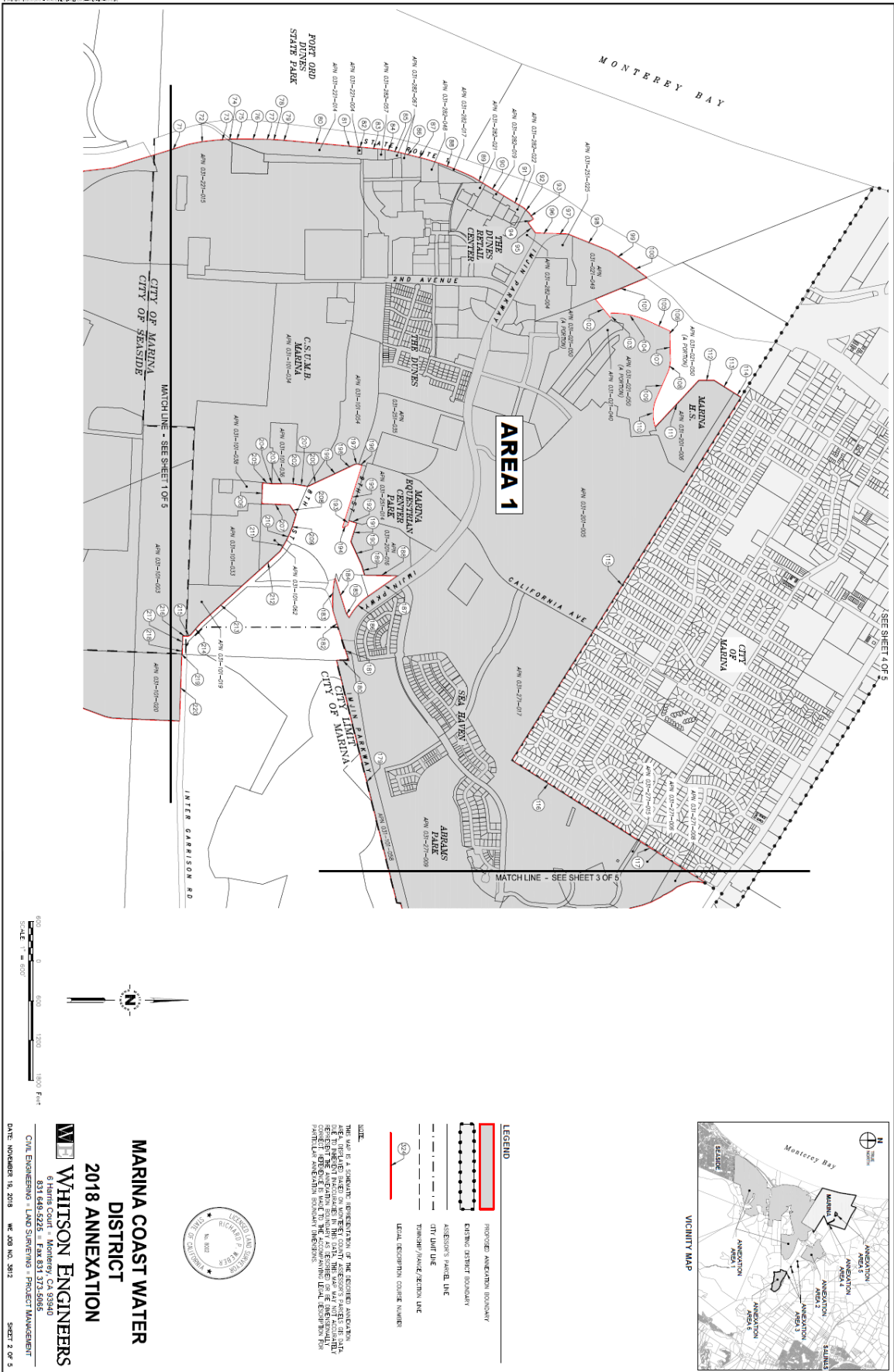
WHITSON ENGINEERS
 6 THIRDS COURT, MONTEREY, CA 93940
 CIVIL ENGINEERING, LAND SURVEYING, PROJECT MANAGEMENT

DATE: NOVEMBER 19, 2018 WE JOB NO. 3912 SHEET 1 OF 5



NOTE:
 1. THIS IS A SURVEY INSTRUMENT OF THE DISTRICTS ANNEXATION.
 2. THIS INSTRUMENT IS BASED ON MONTEREY COUNTY ASSESSORS PARCELS. THE DATA
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 TO BE USED FOR ANY OTHER PURPOSES. THE DATA IS NOT TO BE CONSIDERED AS A
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 GUARANTEE OF THE ACCURACY OF THE DATA.

- LEGEND**
- PROPOSED ANNEXATION BOUNDARY
 - EXISTING DISTRICT BOUNDARY
 - ASSESSOR'S PARCEL LINE
 - CITY LIMIT LINE
 - TOWNSHIP/PLANE/SECTION LINE
 - LEGAL DESCRIPTION CORNER NUMBER



LEGEND

- PROPOSED ANNEXATION BOUNDARY
- EXISTING DISTRICT BOUNDARY
- ASSESSOR'S PARCEL LINE
- CITY UNIT LINE
- TOWNSHIP/PANHANDLE ZONING LINE
- LOT/LAND DESCRIPTION CORNER NUMBER

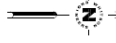
NOTE:
 THIS MAP IS A COMPUTER GENERATED MAP OF THE DISTRICT'S ANNEXATION AREA. A PARCEL MAP BASED ON MONTEREY COUNTY ASSESSOR'S PARCELS AND THE DISTRICT'S EXISTING BOUNDARY MAPS WAS USED TO GENERATE THIS MAP. THE DISTRICT ENGINEERS AND LAND SURVEYORS HAVE CONDUCTED VISUAL INSPECTIONS OF THE ANNEXATION AREA AND HAVE FOUND THE MAP TO BE A TRUE AND ACCURATE REPRESENTATION OF THE ANNEXATION AREA. THE DISTRICT ENGINEERS AND LAND SURVEYORS HAVE CONDUCTED VISUAL INSPECTIONS OF THE ANNEXATION AREA AND HAVE FOUND THE MAP TO BE A TRUE AND ACCURATE REPRESENTATION OF THE ANNEXATION AREA.

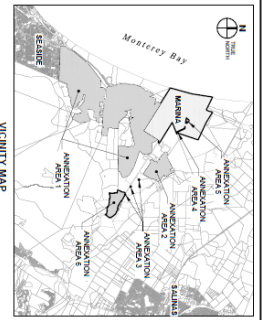
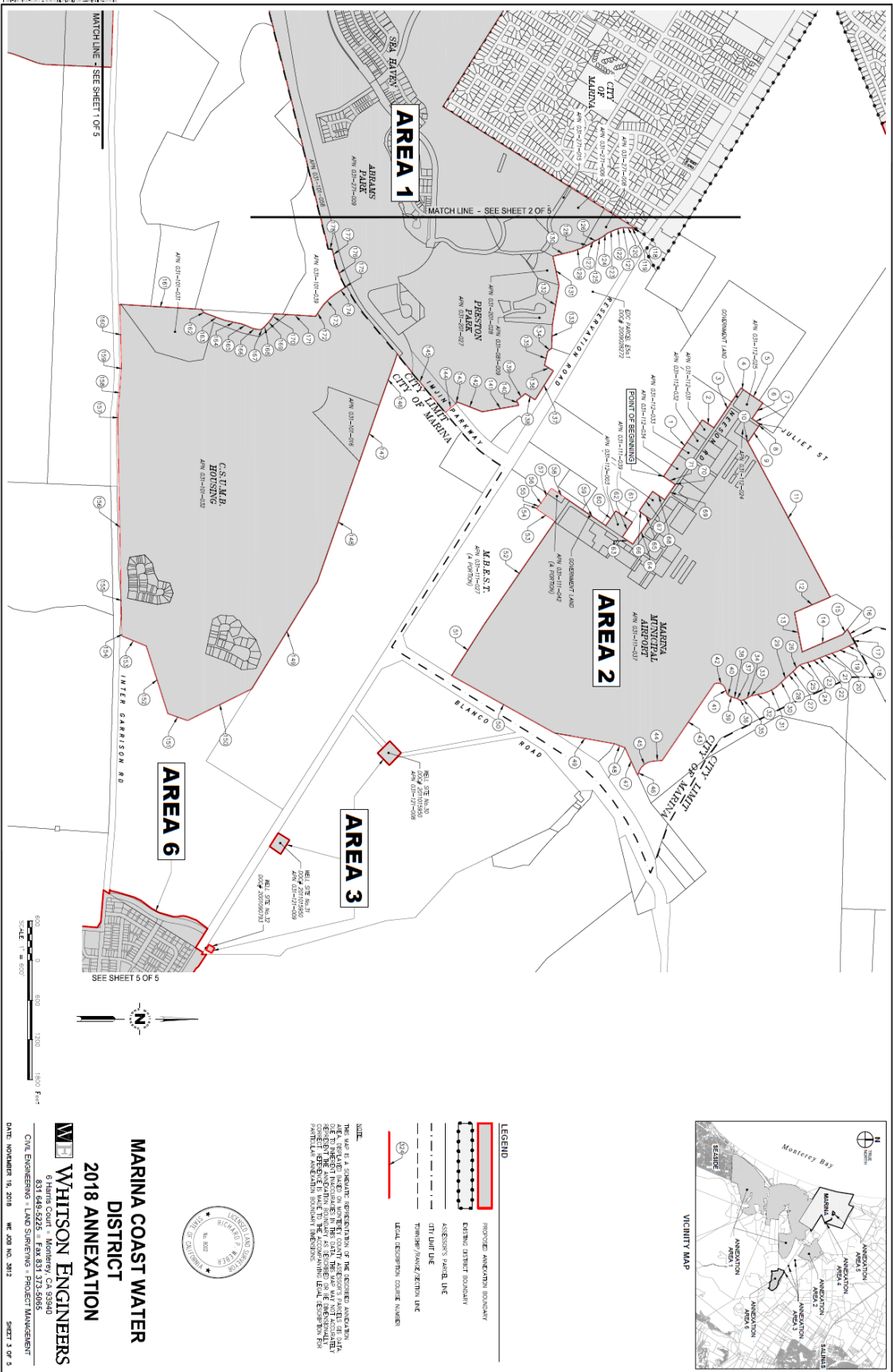


MARINA COAST WATER DISTRICT
2018 ANNEXATION

WHITSON ENGINEERS
 6 THAYER COURT - MONTEREY, CA 93940
 CIVIL ENGINEERING - LAND SURVEYING - PROJECT MANAGEMENT

DATE: NOVEMBER 19, 2019 WE JOB NO. 3012 SHEET 2 OF 5





LEGEND

- PROPOSED ANNEXATION BOUNDARY
- EXISTING DISTRICT BOUNDARY
- ASSESSOR'S MAP/LOT LINE
- DTM/MAIL LINE
- THRESHOLD/ANNEXATION LINE
- LEGAL DECISION CODE NUMBER

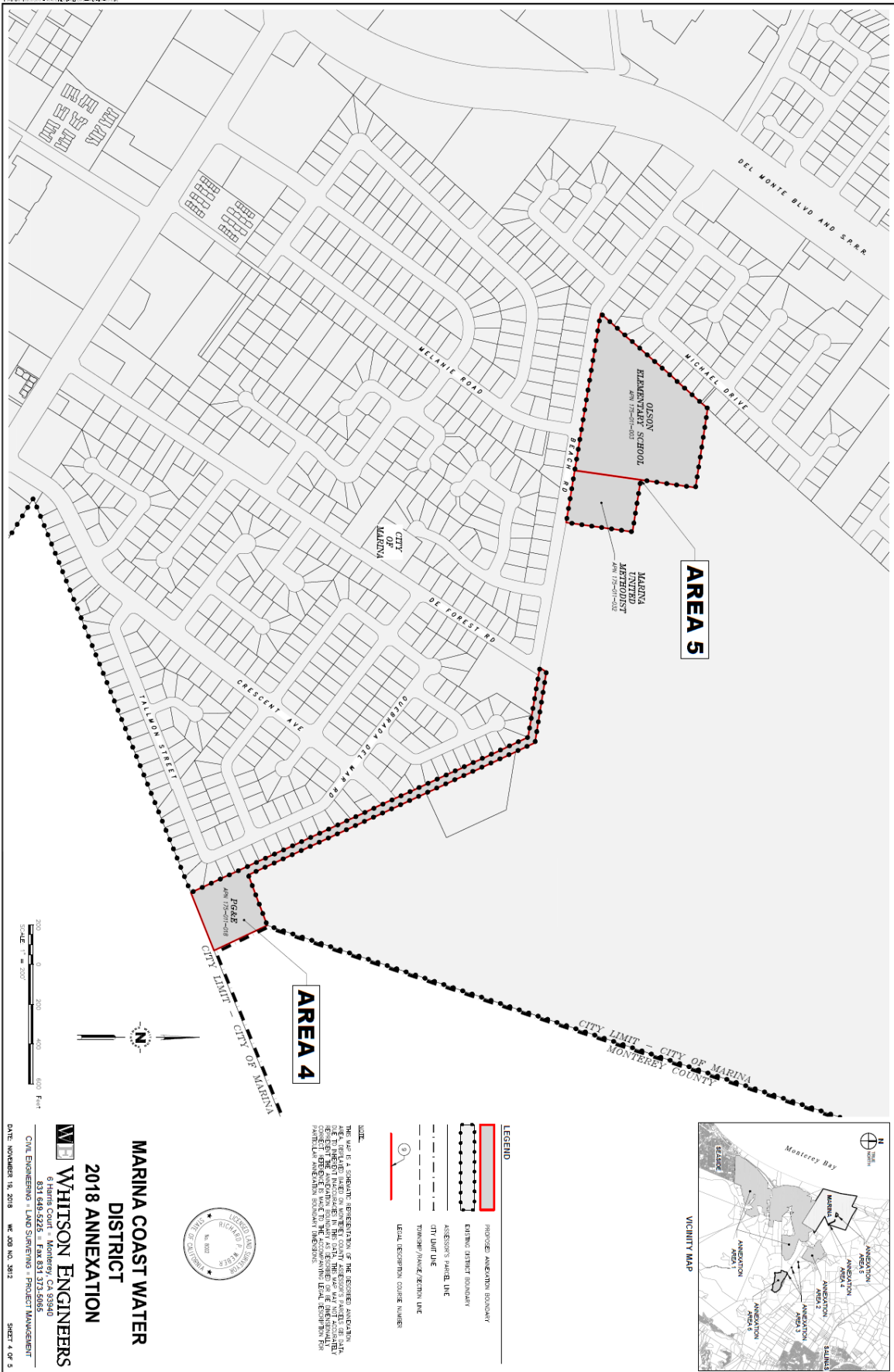
NOTE:
 THE USE OF A SHADING INDICATION OF THE PROPOSED ANNEXATION AREA IS FOR ILLUSTRATIVE PURPOSES ONLY. THE ACTUAL ANNEXATION BOUNDARY AS DESCRIBED IN THE INDIVIDUAL PARCELS MAP AND ANNEXATION BOUNDARY DESCRIPTIONS.



MARINA COAST WATER DISTRICT
2018 ANNEXATION

WHITSON ENGINEERS
 6 Spring Court • Monterey, CA 93940
 CIVIL ENGINEERING - LAND SURVEYING - PROJECT MANAGEMENT

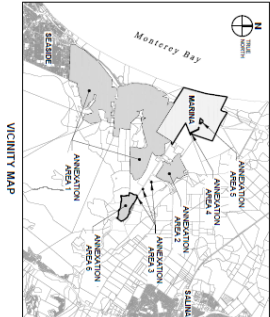
DATE: NOVEMBER 19, 2018 WC JOB NO. 2012 SHEET 3 OF 5



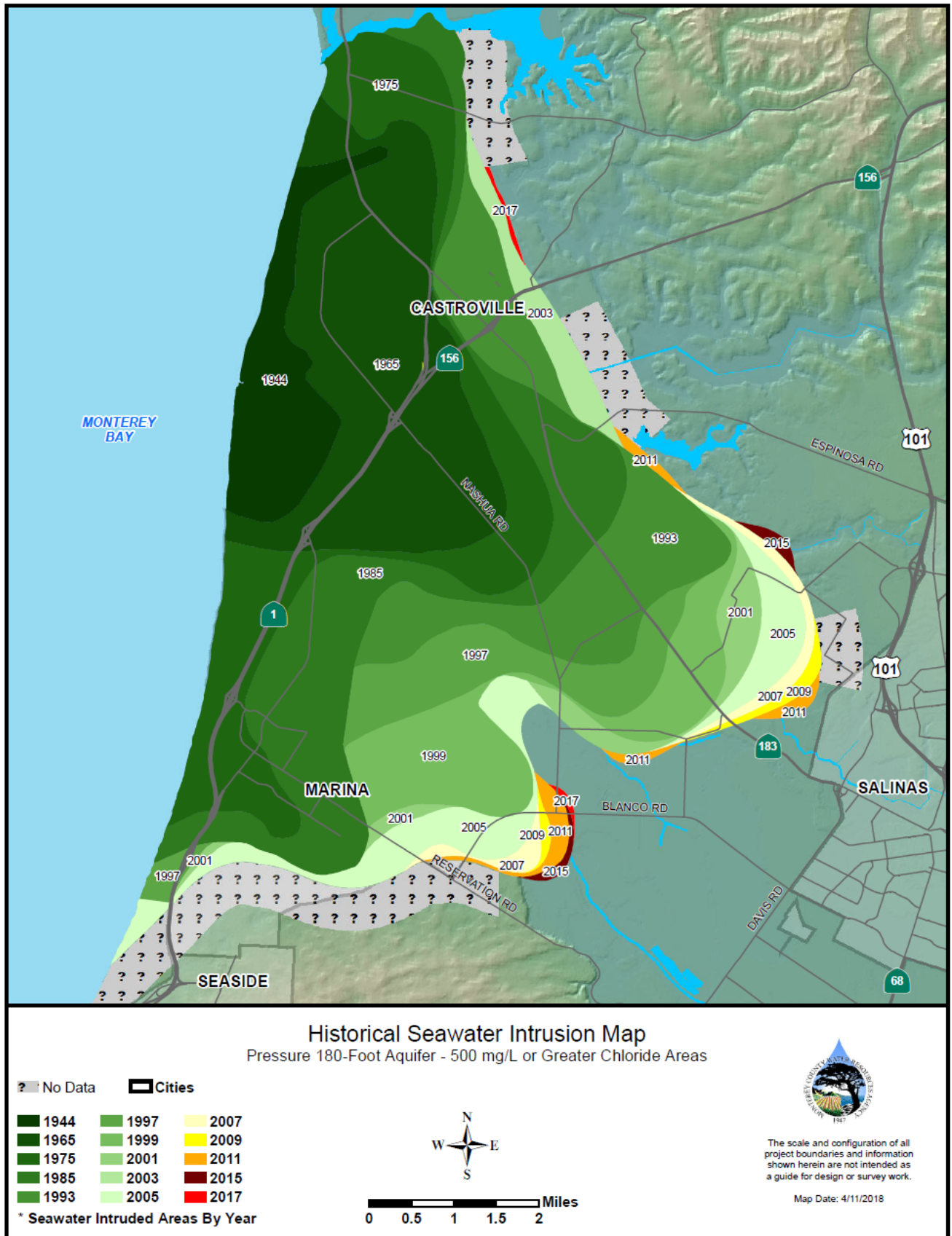
MARINA COAST WATER DISTRICT
2018 ANNEXATION
WHITSON ENGINEERS
 8 HARRIS COURT, MONTEREY, CA 95020
 CIVIL ENGINEERING & LAND SURVEYING - PROJECT MANAGEMENT
 DATE: NOVEMBER 19, 2018 WC JOB NO. 1812 SHEET 4 OF 5

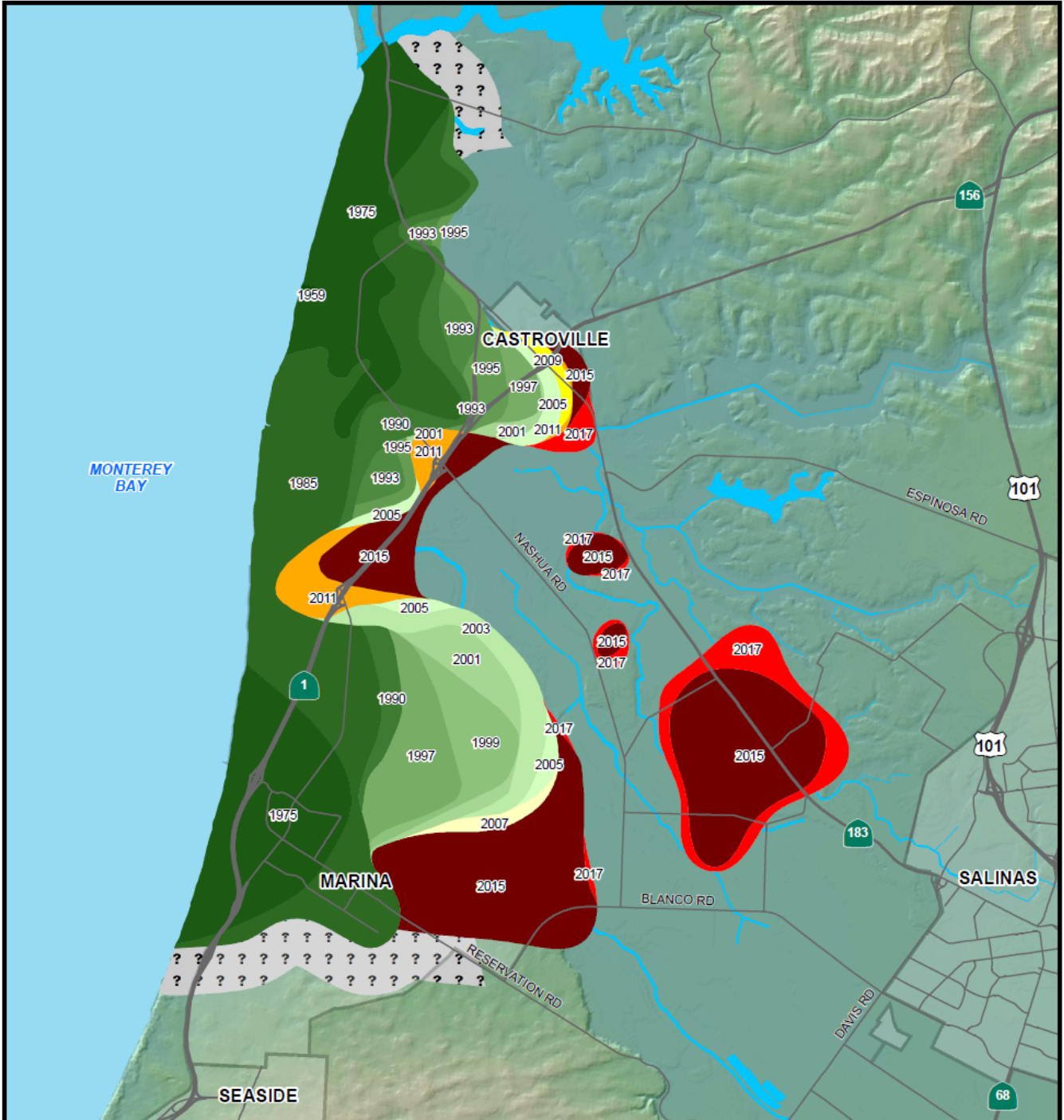


- LEGEND**
- PROPOSED ANNEXATION BOUNDARY
 - EXISTING DISTRICT BOUNDARY
 - ASSESSOR'S PARCEL LINE
 - CITY LIMIT LINE
 - TOWNSHIP/PAVEMENT LINE
 - LEGAL DESCRIPTION CORNER NUMBER
- NOTE:**
 THIS MAP IS A GRAPHIC REPRESENTATION OF THE DESCRIBED ANNEXATION. THE MAP IS BASED ON MONTEREY COUNTY ASSESSOR'S PARCELS, THE DATA BEING THE MOST RECENT AVAILABLE. THE DATA IS NOT GUARANTEED TO BE COMPLETELY ACCURATE. THE USER SHALL CONSULT THE LEGAL DESCRIPTIONS AND THE LEGAL DESCRIPTION CORNER NUMBERS FOR THE ANNEXATION BOUNDARY. THE USER SHALL CONSULT THE LEGAL DESCRIPTION CORNER NUMBERS FOR THE ANNEXATION BOUNDARY.



B) SALINAS VALLEY GROUNDWATER BASIN HISTORIC SEAWATER INTRUSION MAPS (MCWRA, 2018)



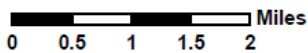


Historical Seawater Intrusion Map

Pressure 400-Foot Aquifer - 500 mg/L or Greater Chloride Areas

Cities	No Data	

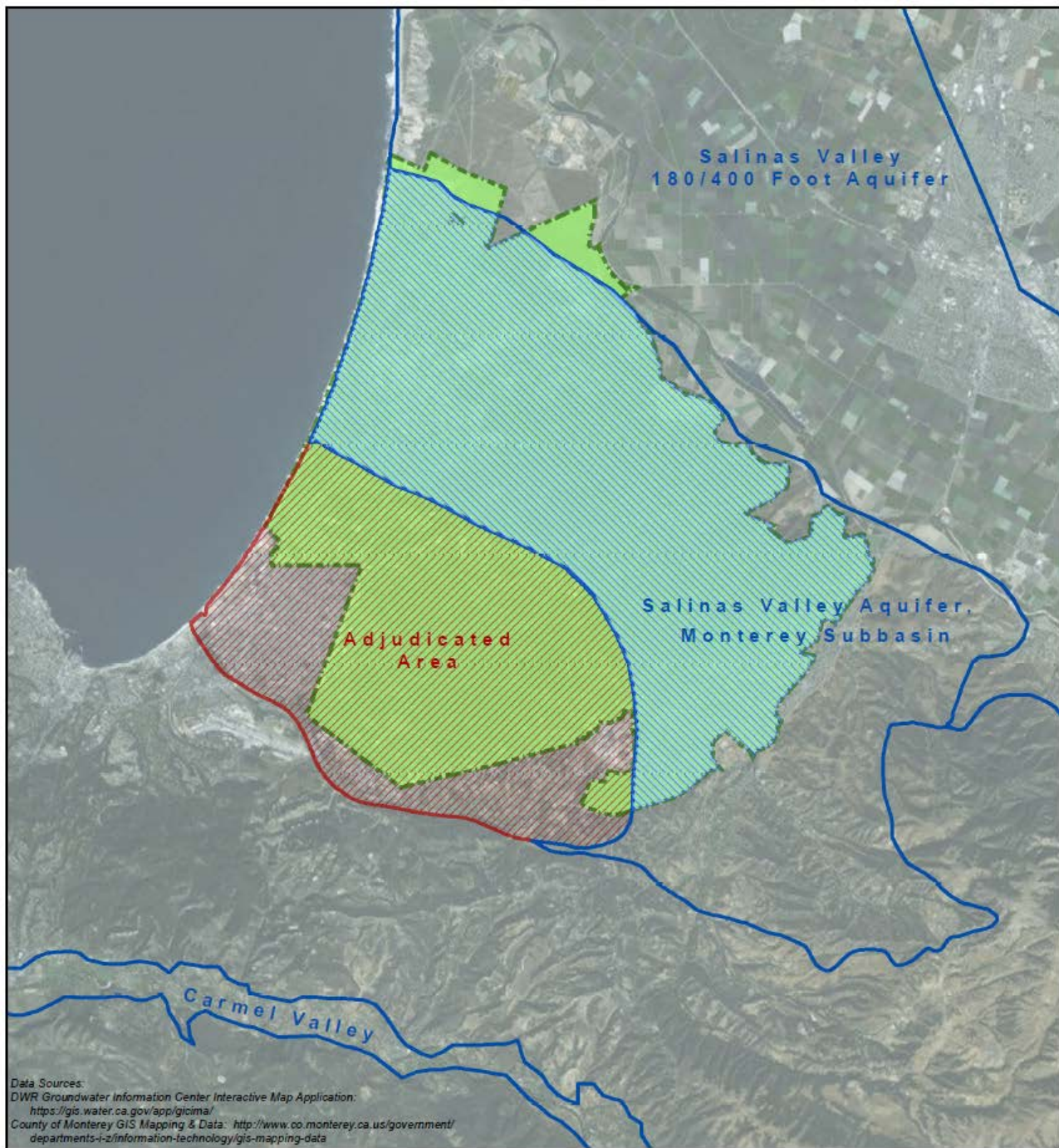
* Seawater Intruded Areas By Year



The scale and configuration of all project boundaries and information shown herein are not intended as a guide for design or survey work.





Map Date: 4/25/2018

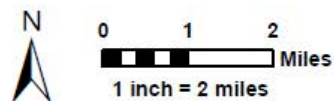
C) MAPS



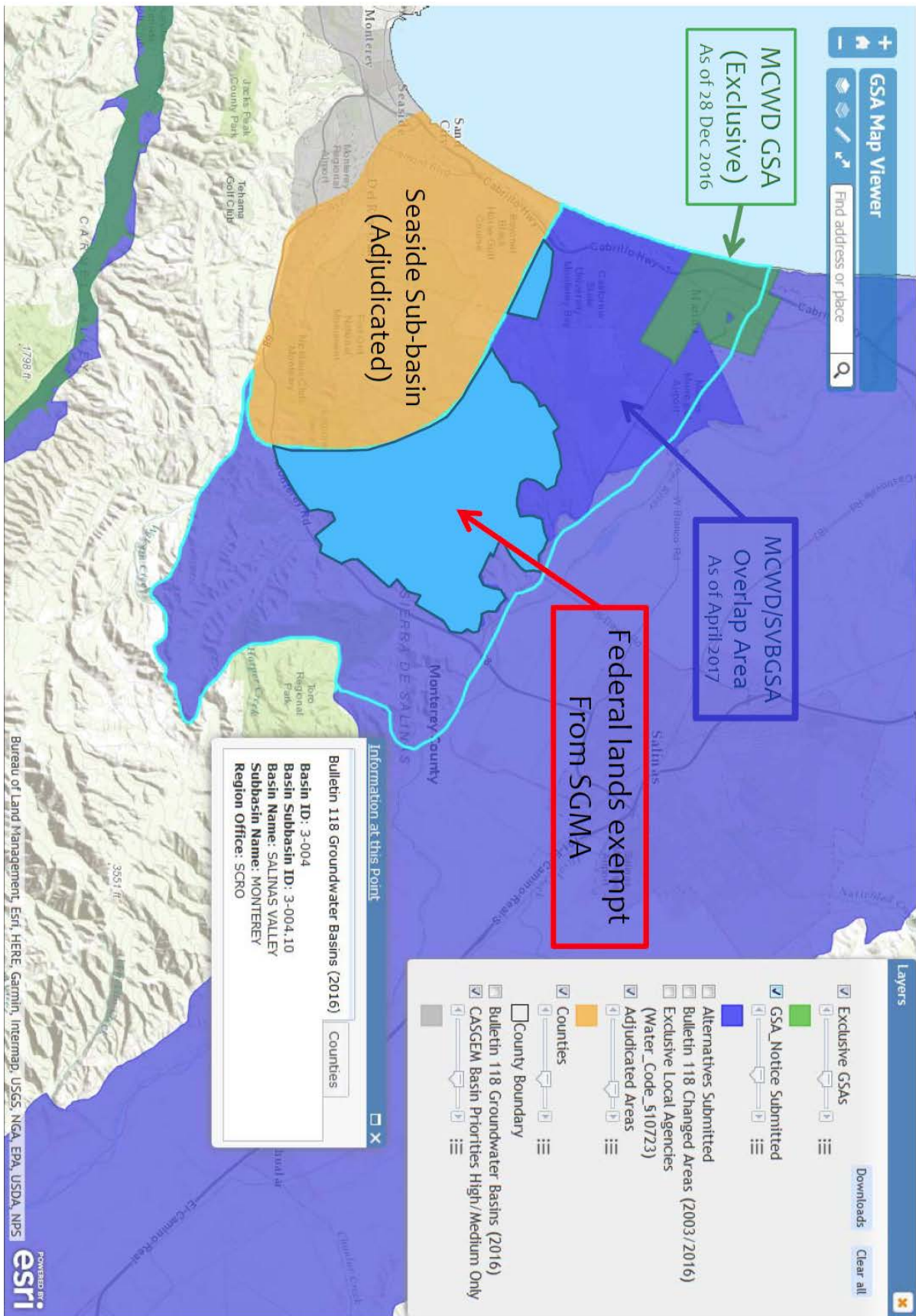
Data Sources:
 DWR Groundwater Information Center Interactive Map Application:
<https://gis.water.ca.gov/app/gicima/>
 County of Monterey GIS Mapping & Data: <http://www.co.monterey.ca.us/government/departments-i-z/information-technology/gis-mapping-data>

Exhibit A: MCWD GSA Map - Monterey Subbasin

-  Marina Coast Water District service area
-  Proposed MCWD GSA Area - Monterey Subbasin
-  Adjudicated Seaside Groundwater Basin
-  Bulletin 118 Groundwater Basin boundary



Map Date: September 2016



D) MCWD STATEMENTS OF NET POSITION AS OF JUNE 30, 2017 AND 2016

MARINA COAST WATER DISTRICT
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and investments	\$ 5,441,967	\$ 3,041,635
Accounts receivable, net	1,935,454	1,308,453
Interest receivable	17,324	10,168
Other receivable	405,055	553,850
Inventories	137,284	109,000
Deposits	3,612	3,612
Prepaid items	82,446	54,938
Total current assets	8,023,142	5,081,656
Noncurrent assets:		
Restricted cash and investments	12,381,748	13,371,324
Capital assets, net	178,427,499	175,903,182
Total noncurrent assets	190,809,247	189,274,506
TOTAL ASSETS	198,832,389	194,356,162
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	606,888	591,435
TOTAL DEFERRED OUTFLOWS OF RESOURCES	606,888	591,435
LIABILITIES		
Current liabilities:		
Accounts payable	787,245	1,686,910
Accrued expenses	95,064	338,825
Interest payable	195,434	129,104
Line of credit	-	654,400
Customer deposits payable	1,159,499	1,720,077
Current portion of long-term debt	1,861,722	1,714,393
Other current liabilities	9,198	10,529
Total current liabilities	4,108,162	6,254,238
Noncurrent liabilities:		
Long-term debt	36,441,094	38,349,077
Net OPEB obligation	1,044,423	883,924
Aggregate net pension liability	2,424,531	1,635,836
Other noncurrent liability	3,000,000	3,000,000
Total noncurrent liabilities	42,910,048	43,868,837
TOTAL LIABILITIES	47,018,210	50,123,075
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	480,668	1,057,371
Deferred gains on refunding debt	699,521	734,497
TOTAL DEFERRED INFLOWS OF RESOURCES	1,180,189	1,791,868
NET POSITION		
Net investment in capital assets	139,827,693	135,455,049
Restricted for debt service	850,404	849,786
Unrestricted	10,562,781	6,727,819
TOTAL NET POSITION	\$ 151,240,878	\$ 143,032,654

D) INFORMATION SOURCES AND ACKNOWLEDGEMENTS

Information that LAFCO received from MCWD district representatives was essential in developing this study. District staff and consultants met with LAFCO staff and provided copies of audits, financial statements, budgets, policies and procedures, agendas, and fee schedules. Key MCWD representatives who contributed to development of the draft document included Keith Van Der Maaten, Mike Wegley, Andy Sterbenz, Patrick Breen, Roger Masuda, and Kelly Cadiente, as well as Denise Duffy and Ashley Quackenbush (Denise Duffy and Associates).

MCWD directors contributed additional valuable insights on an early draft of this report at a public meeting of the MCWD board. LAFCO staff also acknowledges the significant contributions of former MCWD Deputy General Manager and District Engineer Carl Niizawa in bringing the Ord Community into the district. Mr. Niizawa passed away in 2012.

LAFCO's earlier Municipal Service Review and Sphere of Influence Study provided additional background information about the district. LAFCO staff also referred to the Association of Monterey Bay Area Governments (AMBAG) 2018 Regional Growth Forecast, published in June 2018.

Michael Colantuono, Esq. provided legal counsel to LAFCO.



Photo credit: Monterey County Weekly