

**OCEAN VIEW COMMUNITY SERVICES DISTRICT
SERVICES PROVIDED AND SERVICE AREA**

The Ocean View Community Services District was created by LAFCO via Resolution 05-07 on December 27, 2005. A Certificate of Completion was filed with the County of Monterey Recorder on December 28, 2005, which documents the LAFCO decision to create this district.

The approximately 4.27 acre District was created solely for the purpose of providing potable water through a desalination plant to the Ocean View Plaza project and so the District boundary is coterminous with the Ocean View Plaza project. The desalination plant has not been constructed at this time pending approval from the Coastal Commission and permits from the City of Monterey, and relevant state agencies pertinent to desalination plants. The approved land uses in the District includes commercial and residential. The District is currently uninhabited, but the approved land uses will include approximately 90,000 square feet of commercial / retail, and 51 residential units. The Board of this District is the City of Monterey City Council. The District's Initial Appropriations Limit is set at \$150,000 for the first year, which can be adjusted in future years based on population and cost of living increases within the District. At a future date, if water becomes available from the California American Water Company to serve the District, the District shall apply to LAFCO for dissolution of the District and the desalination plant will be removed.

MUNICIPAL SERVICE REVIEW FACTORS

1. INFRASTRUCTURE NEEDS AND DEFICIENCIES

Though the Ocean View Community Services District (CSD) has been approved by LAFCO, an application must also be submitted to the California Coastal Commission for approval of the desalination plant. An application is likely to be submitted to the Coastal Commission in December 2006. Consequently, the Ocean View project has not been constructed so there are no residents or demand for services at this time. The developer will provide adequate services and infrastructure to meet the needs of the project.

2. GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

The project includes approximately 90,000 square feet of commercial uses and 51 residential units. The residential units are anticipated to generate between 51 and 130 residents. The desalination plant for which the CSD is premised is anticipated to provide adequate water for commercial and residential uses.

3. & 4. FINANCING CONSTRAINTS, FINANCING OPPORTUNITIES, AND COST AVOIDANCE

Infrastructure improvements associated with the SCD will be funded by the developer. Fees will be assessed on the project square footage and the residential units.

5. & 6. RATE RESTRUCTURING OPPORTUNITIES AND OPPORTUNITIES FOR SHARED FACILITIES

The most appropriate provider of water to the property is Cal-Am. The company is the exclusive water provider for the City of Monterey, pursuant to a Franchise Agreement with the City. However, an order from the California State Water Resources Board prohibits Cal-Am from providing water service to the project.

The City considered alternatives early in its deliberation process. The City and the developer studied the available options, including local partnerships, but Cal-Am's Franchise Agreement, the inability of Cal-Am to participate in the provision of water, the wastefulness and inefficiency of running parallel water lines to transport water from other potential providers and the requirement that the plant be operated by a public entity collectively rendered all other options infeasible, and prevented any other option from providing water service to this area in as efficient or accountable a manner as would the creation of the Ocean View Community Services District.

As part of their review process prior to LAFCO approval of creating the CSD, LAFCO independently contacted local and regional private entities and agencies that could conceivably form a partnership or be reorganized to provide water to the Ocean View project. In addition to issues identified above

by the City, other agencies lack interest in extending operations or lack the operational capacity to build and operate a desalination plant. The City agrees with the objective of moving toward a long term regional solution. The CSD will provide water services as long as necessary to a development project with important public benefits. LAFCO conditioned the formation of the CSD, with concurrence of the City, that the CSD will seek dissolution when Cal-Am is able to provide water through a region project.

7. GOVERNMENT STRUCTURE OPTIONS

The Monterey City Council acts as the board of directors of the CSD. This governance structure will continue until such time, if ever, water from the City's purveyor is made available to the project in which case the CSD and the governing board will be dissolved.

8. & 9. LOCAL ACCOUNTABILITY, GOVERNANCE, AND MANAGEMENT EFFICIENCIES

All public hearings regarding agency operations, meetings, programs, etc. will require public notice per the Ralph M. Brown Act.

ADDENDUM OCEAN VIEW COMMUNITY SERVICES DISTRICT

The following text is added to page 237 of the Monterey Peninsula Area MSR

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