

July 16, 2001

Board of Directors
Monterey County Water Resources Agency
893 Blanco Circle
Salinas, Ca 93901-4455

Subject: Recommendations for Modifications to Zones 2/2A

For the past 18 months, a group of individuals have met to discuss issues surrounding Zones 2/2A. Initially, there were six individuals, and six alternates representing six water use groups as identified by Judge Richard Silver in a Committee to which he gave a specific purpose in conjunction with litigation before his court.

The group's origin came from language Judge Silver included in his Order in the Orradre, et al. vs Monterey County Water Resources Agency litigation:

“(t)he Assessment Committee shall have principal responsibility for the development of a new and proportional form of assessment(s) to replace the Agency’s existing Zone 2 and 2A water standby charges. The Assessment Committee shall identify an area or areas within the Salinas Valley which can be properly and legally assessed because such area is specifically benefited by the Agency’s activities of releasing water from the upstream reservoirs and other reservoir related benefits and shall develop a new and proportional form of assessment(s) to be based upon the degree of water benefit conferred. Any proposed assessment may be proposed in the form of a charge or fee that the Agency may collect under the exercise of its authority to impose fees and charges under the Agency Act. In considering a new form of assessment(s), the Assessment Committee shall take into account the extent to which the Agency makes water available to the assessed land, the reduction of overdraft, the prevention of seawater intrusion, and any other water availability, flood control, quality and other benefits conferred on the assessed lands.”¹

As the “Ad-Hoc Assessment Committee,” prepared to meet, one of the six initial members representing the plaintiffs in the case decided not to participate with the group. The remaining representatives were individuals who have actively participated in various County processes over the past several years and have examined and evaluated the MCWRA and its administrative and operational systems. These representatives began to meet and continued to encourage the plaintiffs to participate. They also decided to broaden the groups membership. In particular, greater balance was sought by inviting additional urban representatives to join the discussions. As the group met in June to summarize what it had accomplished, the participants represented the water use groups shown at the end of this letter.

¹ Case No. 11577, page 2 lines 13 – 25, Stipulated Order Staying Litigation and Approving Court Supervised Settlement Process

MCWRA Board of Directors

July 13, 2001

Page 2

The focus of the group's efforts was to continue the development of a new and proportional form of assessment(s) to replace the Agency's existing Zone 2 and 2A water standby charges. In this work, the group spent considerable time and resources engaging consultants and working with the MCWRA staff to develop useful information.

The group recognized that the Historical Benefit Analysis (HBA) had achieved some useful objectives; that it has served to show that there is a need to better define the benefits received by Valley parcels from the Nacimiento and San Antonio Reservoirs. It is also true that the majority of groups and individuals within the Salinas Valley continue to have some issue with the information and/or data presented in the HBA. Even as the Agency has begun to think about the need to develop new assessments for the Salinas Valley Water Project, and perhaps other new projects within the Zones, we believe the Agency must first determine how to develop and implement a new proportional form of assessment(s) to replace the existing water standby charges.

Again, the group made the commitment to continue meeting and pursue the mission in the manner discussed under item (11) in Judge Silver's Order, which states:

"Separate and apart from the settlement process described in this stipulated order, the Agency, plaintiffs, plaintiffs in T&A v MCWRA.....and the other parties to this stipulated order shall meet and confer regarding the development of a process for the optimal utilization of water resources in the Salinas Valley. To the maximum extent feasible, any such process shall be coordinated with the Agency's ongoing planning and environmental review efforts in connection with the Salinas Valley Water Project."

We have been encouraged to seek solutions in the Salinas Basin not merely as a response to a current court case, but, more importantly because the State Water Resources Control Board (SWRCB) initiated a formal investigation of the Salinas Valley Groundwater Basin several years ago. The SWRCB informed the Agency that it would investigate groundwater production and use, and water management practices as they relate to the water quality problems of the Salinas Valley Groundwater Basin. The continuing investigation consists of collecting and verifying information on groundwater production and use, fertilizer use, cropping patterns, agricultural practices, water conservation practices, reservoir operations and physical characteristics of the basin to enable the SWRCB to determine whether State action is needed to prevent destruction of or irreparable injury to the quality of Basin groundwater.

The SWRCB Notice informed individual property owners and the Agency that the SWRCB preferred a local solution to the groundwater problems in the Salinas Valley over State action. The SWRCB communication stated, in part, *"However, if the MCWRA*

MCWRA Board of Directors

July 13, 2001

Page 3

fails in its efforts [to resolve the Salinas Valley Groundwater Basin water quality problems] then the State will implement a Basin groundwater solution.”

Like most people in the Salinas Valley, members of this group certainly prefer a local solution over State intervention. This shared position cemented our commitment to continue to work together with the Agency to help develop a new, proportional property assessment that could replace the existing water standby charges in Zones 2/2A.

Recognizing that any new assessment proposed by the Agency will be put before the affected property owners pursuant to the California Constitution as amended by Proposition 218, we focused on developing proposals for new assessment(s) in accordance with existing laws. In order to maintain credibility, and withstand potential legal challenges, we strongly believe there must be a broadly accepted scientific basis for any new zone established, and for establishing new assessments based on the proportionality of benefit conferred upon each parcel.

Our first action was to try to determine the appropriate boundaries for Zones 2/2A. The original Committee formed a Technical Sub-Committee² to review available information and to prepare a detailed map (see Attachment 2) that shows the geologic units present in the Salinas Valley, along with delineation of the five major hydrologic sub-areas of the groundwater basin (Pressure, East Side, Arroyo Seco³, Forebay, and Upper Valley). The orange line on the map denotes the general location of the zone of benefit derived from the operation of the reservoirs. As discussed in the March 29, 2001 memorandum (see Attachment 3), this zone of benefit is based on hydrogeologic characteristics (water level contours, water quality data, specific capacity data) and geologic conditions (structure, i.e. faults and folds, laterally and vertically extensive clay zones, presence of bedrock and marine formations). The March 24, 2000 memorandum (see Attachment 4) from the Technical Sub-Committee to the Committee is a summary of the work completed by the Technical Committee regarding the definition of a proposed new zone of benefit, based on the best available ‘good science’.

We believe that following property owner approval of any new assessment for the two dams and reservoirs, the revenue would be available to fund expenses for the operation and maintenance (as defined in Proposition 218) for Nacimiento and San Antonio.

² The Technical Sub-Committee was established pursuant to Judge Silver’s Order and was comprised of one representative from the MCWRA, Castroville Growers Association, Orradre et al group and one representing the Eastside Water Alliance, Salinas Valley Water Coalition, T&A/Chris Bunn and Urban.

³ Please note that the Committee agreed that the designation of the Arroyo Seco as a separate geologic unit within the Basin was consistent with prior documents, including Bulletin 52 prepared by Department of Water Resources in 1946.

We have reviewed and discussed many issues and concepts that we believe may be useful to the Agency in the near future. Although as a group we represent the prominent geographic and water use diversity within the Valley, we were nevertheless able to agree on many important questions. There are, however, some questions we have not been able to agree on, reflecting the need for the Agency to consider how to carry forward the existing momentum to seek further compromise and solutions.

We were able to agree on the following concepts and issues:

- Definition and Criteria for Purpose of [New] Zone: funds for maintenance and operation of Nacimiento and San Antonio Reservoirs
- Definition of [New] Zone Boundary and Zone of Benefit: as presented by Technical Sub-Committee based on its written Description of Zone of Benefit, dated March 24, 2000
- List of benefits that will be considered “special” benefits conferred to lands within the Zone of Benefit, as discussed in the Technical Sub-Committee’s March 24, 2000 memorandum:
 - control of seawater intrusion
 - flood control
 - increased recharge
 - groundwater quality
 - time and location of recharge from the Salinas River
 - drought protection
 - preservation of aquifer storage
 - recreation
 - environment

We also concluded that every parcel in a “new” Zone would receive benefits in most, but perhaps not all, of the categories listed above. The following are the Sub-Zones⁴ within the Zone of Benefit:

- Upper Valley -- near river
- Upper Valley – away from river
- Forebay – near river
- Forebay – away from river
- Pressure
- East Side
- Arroyo Seco

⁴ The Sub-Zones are shown on the enclosed map as prepared by the Technical Sub-Committee. The boundaries are approximate and the Committee recognizes, and recommends, that further refinement to the boundaries will need to be completed as part of the Engineers Report for the Proposition 218 vote.

These hydrologic sub-zones were identified because of the recognized differences in benefits conferred to the lands within the different areas. For example, we recognized that lands nearer the Salinas River receive a greater flood control benefit than lands away from the River – hence the distinction. The same level of distinction was made with regard to all of the special benefits considered.

Before the original Committee was expanded, some initial work was completed, including the development of a ‘Benefit Matrix’. Therefore, not all of our present group participated in this effort, but we submit it to the Agency for consideration. This proposed Benefit Matrix (see below) utilizes the list of special benefits conferred and the seven sub-zones, and assigns proportional values to each sub-zone for each of the nine areas of special benefit. A matrix such as this could be used to determine the total assessment dollars to be paid by property owners within each sub-zone, based on consideration of the proportionality of benefit conferred.

<u>Area</u>	<u>Proportional Weight</u>
Pressure	4.7
Eastside	2.7
Forebay – near river	2.8
Forebay – away from river	1.3
Upper Valley – near river	2.7
Upper Valley – away from river	1.2
Arroyo Seco	1.0

Likewise, the original group worked to develop the following revised Land-Use Classifications which could be considered with the proportionally weighted sub-zones, to determine the assessment for a given parcel within each sub-zone.

<u>Land Use Factor</u>	<u>Assessment</u>
Factor A - Irrigated Ag	Per irrigated acre
Factor A – Residential, Commercial, Institutional	Per Residential Dwelling Unit [RDU] ⁵
Factor B – Industrial	Per acre; minimum charge of one acre; each acre equal to the one irrigated Ag acre

⁵ A Residential Dwelling Unit is defined as one house, or one condominium or one apartment. Current Zone 2/2A residential/commercial/institutional assessments are applied on a per parcel basis with a minimum charge equivalent to ¼ of the irrigated Ag acre charge.

Factor C – Dry Farm, grazing
vacant land

Per acre; 10% of irrigated Ag acre;
minimum charge of one acre

Factor D – River channel
and land subject to frequent
flooding

Per acre; 10% of Factor C acre

It's fair to say that there remains significant disagreement in our group between the agricultural and urban representatives on the above factors. Specifically, urban representatives do not support assessing each residential dwelling unit (houses, condominiums, or apartments) an amount equal to Factor A, or one irrigated Ag acre. As you know, today, dwelling units are assessed at one-fourth the amount of an irrigated Ag acre, unless the urban parcel is larger than one-quarter acre. If a new Factor A for Residential, Commercial and Institutional parcels were to be adopted, quarter-acre parcels could experience at least a 400%⁶ increase over current assessments. The urban representatives in our group do not believe this concept is supported by good science.

In summary, we began as a formal Committee made up of six members, but we have evolved into a larger, informal group that includes more urban representatives. All of us continued to meet and work on these concepts and issues because we believe it is critical to the well being of the Salinas Valley that compromise and consensus is reached leading to a basin-wide solution.

We also recognize that the Agency has other programs and projects that either require comprehensive review or new policies with regard to assessments and charges throughout Zones 2/2A. We would encourage the Agency to view this work in a comprehensive manner, ensuring that all property owners understand the full complement of activities that will be required in the near future; and, that the issue of a possible new Zone and modified assessments, as discussed in this letter, be identified as the first order of business. It is important that the restructuring of Zones 2/2A be accomplished and that the results be (1) based on good science, (2) be equitable, and (3) reflect understandable and proportional cost-benefit analysis. With such a restructured Zone and new assessments, the Agency would have the funds necessary for the operation and maintenance of Nacimiento and San Antonio Reservoirs.

Attachments

1. List of organizations participating in this process
2. Map of Zones 2/2A and proposed modifications
3. Memo from Technical Sub-Committee, dated March 29, 2001
4. Memo from Technical Sub-Committee, dated March 24, 2000

⁶ By way of example: an existing single family dwelling in the City of Salinas on less than one-quarter of an acre, currently pays approximately \$2.20 annually for Zones 2/2a. Under the above scenario the same single family dwelling would pay approximately \$8.80 annually.

ATTACHMENT #1

List of Organizations Participating in Process

Castroville Agricultural Water Coalition *

Eastside Water Alliance *

Salinas Valley Water Coalition *

Cal-Water Company *

Monterey County Water Resources Agency *

City of Salinas

City of Marina⁷

Marina Coast Water District

City of Greenfield

*** denotes organizations that were part of the original six (6) in Judge Silver's Order**

⁷ The City of Marina representative joined the group late in the process and did not participate in the analyses or discussions, and, therefore should not be included in supporting the recommendations.