



FORT ORD REUSE AUTHORITY

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BOARD OF DIRECTORS REGULAR MEETING

Friday, October 11, 2013 at 2:00 p.m.

910 2nd Avenue, Marina, CA 93933 (Carpenter's Union Hall)

AGENDA

1. CALL TO ORDER

2. CLOSED SESSION

- a. Conference with Legal Counsel - Existing Litigation, Gov Code 54956.9(a) – **7 Cases**
 - i. Keep Fort Ord Wild v. Fort Ord Reuse Authority (FORA), Case Numbers: M114961, M116438, M119217
 - ii. Bogan v. Houlemard, Case Number: M122980
 - iii. The City of Seaside v. Valenzuela, Case Number: M124499
 - iv. The Fort Ord Access Alliance v. Houlemard, Case Number: M124709
 - v. The City of Marina v. Fort Ord Reuse Authority, Case Number: M118566

3. ANNOUNCEMENT OF ACTION TAKEN IN CLOSED SESSION

4. PLEDGE OF ALLEGIANCE

5. ROLL CALL

6. ACKNOWLEDGEMENTS, ANNOUNCEMENTS, AND CORRESPONDENCE

- a. California State University, Monterey Bay/FORA Co-hosted Base Reuse Implementation Colloquia (scheduled for December 11-13, 2013)
- b. US Department of Defense/Department of Veterans Affairs William Gourley Clinic Groundbreaking

7. CONSENT AGENDA

- a. Approval of the September 13, 2013 Board Meeting Minutes ([pg. 1-4](#)) ACTION

8. NEW BUSINESS

- a. Marina Coast Water District Financial Plan and Rate and Fee Study ([pg. 5-66](#)) INFORMATION
- b. Alliance Management Performance Evaluation ([pg. 67-102](#)) ACTION
- c. CONSISTENCY DETERMINATION: 2010 Monterey County General Plan ([pg. 103-113](#)) ACTION

9. OLD BUSINESS

- a. Contract for Legal Services - Jerry Bowden (2nd Vote) ([pg. 114-118](#)) ACTION
- b. Environmental Services Cooperative Agreement (ESCA) Update ([pg. 119-121](#)) INFORMATION

10. PUBLIC COMMENT PERIOD

Members of the public wishing to address the Fort Ord Reuse Authority (FORA) Board of Directors on matters not on this agenda, but within FORA's jurisdiction, may comment for up to three minutes during this period. Public comments on specific agenda items are heard under that item.

11. EXECUTIVE OFFICER’S REPORT

- a. Outstanding Receivables (pg. 122)
- b. Habitat Conservation Plan Update (pg. 123)
- c. Administrative Committee (pg. 124-127)
- d. Water/Wastewater Oversight Committee (pg. 128-132)
- e. Post Reassessment Advisory Committee (pg. 133-137)
- f. Travel Report (pg. 138)
- g. Public Correspondence to the Board (pg. 139)

INFORMATION
INFORMATION
INFORMATION
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INFORMATION

12. ITEMS FROM MEMBERS

13. ADJOURNMENT

NEXT REGULAR BOARD MEETING: NOVEMBER 15, 2013

Persons seeking disability related accommodations should contact FORA 24 hours prior to the meeting. This meeting is recorded by Access Monterey Peninsula (AMP) and is televised Sundays at 9:00 a.m. and 1:00 p.m. on Marina/Peninsula Chanel 25. The video and full Agenda packet are available online at www.fora.org.



FORT ORD REUSE AUTHORITY

BOARD OF DIRECTORS REGULAR MEETING MINUTES

2:00 p.m. - Friday, September 13, 2013

910 2nd Avenue, Marina, CA 93933 (Carpenter's Union Hall)

1. CALL TO ORDER AND ROLL CALL

Chair Edelen called the meeting to order at 2:00 p.m.

2. CLOSED SESSION - The Board adjourned into closed session at 2:01 p.m.

- a. Conference with Legal Counsel - Existing Litigation, Gov Code 54956.9(a) – 7 Cases
- i. Keep Fort Ord Wild v. Fort Ord Reuse Authority (FORA), Case Numbers: M114961, M116438, M119217
 - ii. Bogan v. Houlemard, Case Number: M122980
 - iii. The City of Seaside v. Valenzuela, Case Number: M124499
 - iv. The Fort Ord Access Alliance v. Houlemard, Case Number: M124709
 - v. The City of Marina v. Fort Ord Reuse Authority, Case Number: M118566

3. ANNOUNCEMENT OF ACTION TAKEN IN CLOSED SESSION

The Board reconvened into open session at 2:46 p.m. and Authority Counsel Jon Giffen announced that no reportable action had been taken.

4. PLEDGE OF ALLEGIANCE

Supervisor Salinas led the Pledge of Allegiance.

5. ROLL CALL

A roll call was conducted by the Deputy Clerk and a quorum was confirmed.

Voting Members Present: (*alternates)(AR: entered after roll call)

Chair/Mayor Edelen (City of Del Rey Oaks)	Mayor Pro-Tem Oglesby (City of Seaside)
Councilmember Beach (City of Carmel-by-the-Sea)	Mayor Pendergrass (City of Sand City)
Mayor Kampe (City of Pacific Grove)	Nick Chiulos* (County of Monterey)
Mayor Gunter (City of Salinas)	Mayor Rubio (City of Seaside)
Councilmember Morton (City of Marina)	Supervisor Salinas (County of Monterey)
Mayor ProTem O'Connell (City of Marina)	

Voting Members Absent: Supervisor Parker (County of Monterey), Councilmember Selfridge (City of Monterey)

Ex-officio (Non-Voting) Board Members Present: Alec Arago* (20th Congressional District), Nicole Charles* (17th State Senate District), Erica Parker* (29th State Assembly District), Graham Bice* (University of California), Eduardo Ochoa (California State University), Walter Tribley (Monterey Peninsula College), Dan Albert, Jr.* (Monterey Peninsula Unified School District), Hunter Harvath* (Monterey-Salinas Transit), Debbie Hale (Transportation Agency of Monterey County), Colonel Fellingner (U.S. Army), Bill Collins (Fort Ord BRAC Office), and Director Moore (Marina Coast Water District).

6. ACKNOWLEDGEMENTS, ANNOUNCEMENTS, AND CORRESPONDENCE

Nicole Charles stated that the legislative session had ended the previous night, during which Senator Monning's Senate Bill 232 passed out of the Senate. She discussed the legislation, noting that it would now go to the Governor's desk for signature.

a. California State University, Monterey Bay (CSUMB)/FORA Co-hosted Base Reuse Implementation Colloquia

Dr. Ochoa announced that CSUMB planned to host a two-day colloquia on base reuse issues in December. Though the dates were still tentative, the event would be open to the public and CSUMB hoped to receive broad participation from local agencies and other parties impacted by the reuse of Fort Ord. Councilmember Beach spoke to the Colloquia planning process and stated she was pleased with the outcome.

Bill Collins announced the Army's bi-annual Fort Ord tour would occur on Sept 21, 2013. The event was open to the public and technical experts from the Army's clean-up program would be on hand to provide information and answer questions.

a. 2013 FORA Annual Report

Executive Officer Houlemard discussed the FY 2012-13 FORA Annual Report, noting its availability on the FORA website.

7. CONSENT AGENDA

Mayor Pro-Tem O'Connell requested agenda item 7b be pulled from the consent agenda for discussion. Chair Edelen stated that each item would be considered individually.

a. Approval of the August 9, 2013 Board Meeting Minutes

MOTION: Councilmember Morton moved, seconded by Mayor Kampe, to approve the August 9, 2013 Board Meeting Minutes, amending "City of Seaside" on page 2, item 7a, to "City of Marina."

MOTION PASSED: unanimous

b. Contract for Legal Services - Jerry Bowden

Mayor Pro-Tem O'Connell stated his opposition to the item.

MOTION: Mayor Rubio moved, seconded by Mayor Pro-Tem Oglesby, to authorize the Executive Officer to execute an "on-call" contract for legal services with Jerry Bowden through FY 2013-14, not to exceed \$50,000.

MOTION PASSED (2nd vote required): Ayes: Beach, Chiulos, Edelen, Gunter, Kampe, Oglesby, Pendergrass, Rubio, Salinas. Noes: Morton, O'Connell.

8. BOARD REQUESTED REPORTS

Mr. Houlemard provided background regarding the Board's requests for several reports.

a. Legal Authority for Consistency Determinations

Senior Planner Jonathan Garcia provided an overview of Alan Walter's previous work for the FORA and Mr. Waltner discussed his legal memorandum regarding FORA's legal authority to make consistency determinations.

MOTION: Mayor Rubio moved, seconded by Mayor Pro-Tem O'Connell to receive the report.

MOTION PASSED: unanimous.

b. FORA/Jurisdiction Land Use Authority

Authority Counsel Jon Giffen provided information regarding FORA's land use authority.

MOTION: Mayor Rubio moved, seconded by Mayor Gunter to receive the report.

MOTION PASSED: unanimous.

c. Prevailing Wage Requirements and Enforcement on Fort Ord

Mr. Houlemard provided an overview of prevailing wage on Fort Ord.

MOTION: Mayor Rubio moved, seconded by Mayor Pro-Tem Oglesby to receive the report.

MOTION PASSED: unanimous.

9. NEW BUSINESS

a. Adopt Resolution 13-XX Authorizing Application and Acceptance of a Building Removal Business Plan Grant

Project Manager Stan Cook provided an explanation of the proposed grant and discussed Fort Ord building removal needs.

MOTION: Dr. Ochoa moved, seconded by Mayor Rubio, to Adopt Resolution 13-XX, 1) authorizing application to the United States Department of Defense Office of Economic Adjustment (OEA)/United States Department of Commerce Economic Development Administration (EDA) for a joint Fort Ord Reuse Authority (FORA)/ California State University Monterey Bay (CSUMB) Building Removal Business Plan grant, and 2) authorizing the Executive Officer to accept any subsequent grant offer (anticipated to be up to \$250,000).

MOTION PASSED: unanimous.

10. OLD BUSINESS

a. FY 2013/14 Capital Improvement Program (2nd Vote)

ORIGINAL MOTION: Supervisor Potter moved, seconded by Mayor Rubio, to adopt the FY 2013/14 CIP, as presented.

2ND VOTE PASSED: Ayes: Beach, Chiulos, Edelen, Gunter, Kampe, Oglesby, Pendergrass, Rubio, Salinas. Noes: Morton, O'Connell.

b. ICF International Contract Amendment #6

Mr. Garcia presented the item and responded to comments from members of the Board and public.

MOTION: Supervisor Salinas moved, seconded by Mayor Gunter to authorize the Executive Officer to execute ICF International contract amendment #6, not to exceed \$98,500 in additional budget authority.

MOTION PASSED: unanimous.

11. PUBLIC COMMENT PERIOD

The Board received comments from members of the public.

12. EXECUTIVE OFFICER'S REPORT

Mr. Houlemard stated that all but item 12e were informational reports.

- a. Outstanding Receivables
- b. Habitat Conservation Plan Update
- c. Administrative Committee
- d. Water/Wastewater Oversight Committee
- e. Post Reassessment Advisory Committee

Mr. Garcia summarized recent Post Reassessment Advisory Committee discussions and reviewed plans for the upcoming Colloquia.

MOTION: Mayor Rubio moved, seconded by Councilmember Morton to approve the Fort Ord Reuse Implementation Colloquia Budget, as presented.

MOTION PASSED: unanimous.

- f. Veterans Issues Advisory Committee
- g. Travel Report
- h. Public Correspondence to the Board

11. ITEMS FROM MEMBERS

Director Moore and Mayor Rubio addressed inaccuracies in a recent Monterey Weekly article.

Mayor Pro-Tem Oglesby inquired as to the current gambling regulations on the former Fort Ord and the implications of the Fort Ord initiatives.

12. ADJOURNMENT

Chair Edelen adjourned the meeting at 5:04 p.m.

FORT ORD REUSE AUTHORITY BOARD REPORT

NEW BUSINESS

Subject:	Marina Coast Water District Financial Plan and Rate and Fee Study	
Meeting Date:	October 11, 2013	INFORMATION
Agenda Number:	8a	

RECOMMENDATION:

Receive a presentation by Marina Coast Water District (MCWD) staff and consultant Carollo Engineers, outlining the MCWD Financial Plan and Rate and Fee Study (**Attachment A**).

BACKGROUND/DISCUSSION:

It has been more than five years since MCWD last undertook a study of their rates, fees and charges. As a part of their Ord Community Budgets and Rates process, MCWD contracted with Carollo Engineers to prepare a financial plan and to study MCWD rates, fees and charges. The Fort Ord Reuse Authority (FORA) Water/Wastewater Oversight Committee (WWOC) reviewed the study at their September 18 and October 2, 2013 meetings. The intention is to provide an informational forum and opportunity to comment prior to formal presentation and request for approval of the Ord Community budget.

MCWD anticipates presenting the FY 2013/14 Ord Community budget to the FORA Board of Directors in November.

FISCAL IMPACT:


Reviewed by FORA Controller 

Staff time for this item is included in the approved FORA budget.

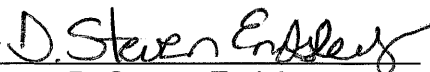
COORDINATION:

MCWD, WWOC

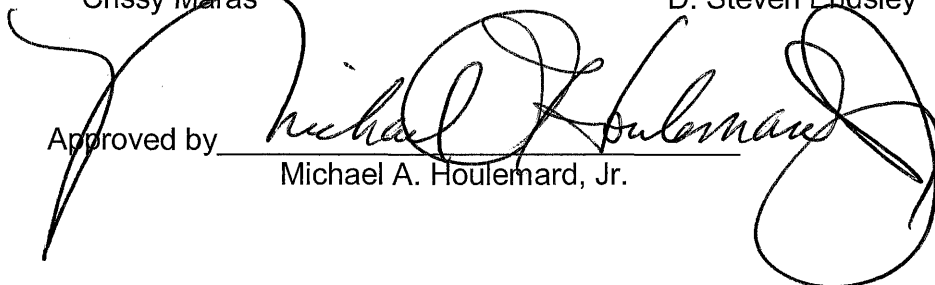
Prepared by


Crissy Maras

Reviewed by


D. Steven Endsley

Approved by


Michael A. Houlemard, Jr.



MARINA COAST WATER DISTRICT

FINANCIAL PLAN AND RATE AND FEE STUDY

FINAL REPORT

September 2013

MARINA COAST WATER DISTRICT
FINANCIAL PLAN AND RATE AND FEE STUDY

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FINANCIAL PLAN AND RATE AND FEE STUDY

1.0 INTRODUCTION

The Marina Coast Water District (MCWD) engaged Carollo Engineers to develop an agency wide financial plan and conduct a water and sewer rate and fee study (study). This study includes the development of a five-year financial plan, cost-based water and wastewater user charges through a comprehensive cost of service and rate design analysis, as well as an update of the District's water and sewer capacity fees.

MCWD operates public water and sewer utilities that are responsible for providing service to the approximately 38,000 residents, as well as many public and commercial institutions. Customers of the water and sewer utilities are located in two service areas, Central Marina (Marina) and the Ord Community (Ord). The operations of the District are further split between water and sewer, resulting in four cost centers, Marina Water, Marina Sewer, Ord Water, and Ord Sewer. The cost centers are maintained as separate enterprises; having distinct budgets, user rates and fees, capacity fees, capital improvement plans, and operating, capital, and bond reserves.

In order to develop updated user rates, an in-depth study of each cost center's revenue needs, customer usage characteristics, capital improvement program (CIP), and additional future drivers of service costs and revenue was conducted. This report documents the methodology and assumptions used to develop the financial plan, the policy decisions reached, the proposed water and wastewater rates, and the customer bill impacts.

1.1 Marina Coast Water District Background

The Central Marina service area has a forecasted population of approximately 18,000 residents. In FY2013, Marina Water's current deliveries total approximately 765,000 hundred cubic feet (hcf) per year to its 3,800 customer accounts. Marina Sewer currently serves approximately 3,700 accounts totaling 7,200 equivalent dwelling units (EDUs).

In August 2005, the Central Marina and Ord Community water systems were connected; integrated operations allow water to flow between the two systems to meet peak demands and improve overall services. The amount of water exchanged between the systems is automatically monitored and recorded. In July 2007, the California Department of Public Health approved the consolidation of the water systems as Marina Coast Water District Water System.

Supply wells in Central Marina consist of three deep groundwater wells located in the 900-foot aquifer of the Salinas Valley Groundwater Basin. Water is treated at each well site for disinfection and to remove the naturally occurring hydrogen sulfide that can sometimes cause odor problems.

The Ord Community service area has a current population of approximately 20,500 residents. In FY2013, Ord Water's current deliveries total approximately 1,000,000 hundred cubic feet (hcf) per year to its 3,900 customer accounts. Ord Sewer currently serves approximately 3,100 accounts totaling 5,500 equivalent dwelling units (EDUs).

Supply wells in the Ord Community are from three groundwater wells located in the lower 180-foot and 400-foot aquifers of the Salinas Valley Groundwater Basin. Groundwater from these wells is also disinfected to provide the community with healthy and safe drinking water

1.2 Current Rates and Fees

The District last performed a cost of service water and sewer rate analysis in 2008. The 2008 report proposed five years of sizeable increases to fund capital improvements for all cost centers. Since that time, the District has not implemented the full-recommended rates. Lesser annual rate increases have been implemented as across the board increases, applying each cost center's revenue needs increase to the user rates.

Capacity fees for both water and sewer were also last updated in 2008 and since that time have been adjusted only slightly to their current levels. Table 1-1 and 1-2 summarize the existing Marina and Ord Community water and wastewater rate and fee structure, respectively. The rates consist of two parts: a monthly service charge assessed on the size of the meter, and a tiered water commodity charges for all water delivered. In addition, newer residents in the Ord Community also pay a \$20.00 monthly water capital surcharge and a \$5.00 monthly sewer capital surcharge to help fund capital expansion.

Table 1-1 below presents the existing rate schedule for Marina Water.

Table 1-1: Marina – Existing Rate Schedule

Marina Water Consumption Rates (per hcf)		
Tier 1	0 to 8 hcf	\$2.29
Tier 2	9 to 16 hcf	2.79
Tier 3	17+ hcf	5.09
Marina Water Service Charges, by Meter Size		
5/8" - 3/4"		\$18.85
1"		47.09
1 1/2"		94.19
2"		150.68
3"		282.52
4"		470.87
6"		941.75
8"		1,883.49
Marina Sewer Service Charges		
Sewer Charge (per EDU)		\$9.15
Marina Capacity Fees		
Water Capacity Fee (Per EDU)		\$5,450
Sewer Capacity Fee (Per EDU)		\$3,950

Table 1-2: Ord – Existing Rate Schedule

Ord Water Consumption Rates (per hcf)		
Tier 1	0 to 8 hcf	\$2.33
Tier 2	9 to 16 hcf	3.27
Tier 3	17+ hcf	4.22
Ord Water Service Charges, by Meter Size		
5/8" - 3/4"		\$17.11
1"		42.76
1 1/2"		85.49
2"		136.78
3"		256.47
4"		427.45
6"		854.89
8"		1,709.79
Flat Rate		\$84.34
Ord Sewer Service Charges		
Sewer Charge (per EDU)		\$25.26
Ord Capacity Fees		
Water Capacity Fee (Per EDU)		\$5,750
Sewer Capacity Fee (Per EDU)		\$2,150

In addition to general water rates, both water cost centers maintain current fire service rates. The fire rate is a flat fee of \$20.00 per month for each service. Residential users with upsized meters currently pay the monthly meter charge associated with the larger meter. Based on available records, Carollo's detailed review of billing records found that of the 289 fire service accounts, only 29 are currently being billed. Based on discussions with District staff, the additional unbilled accounts will have to be researched to determine the appropriate charge.

The current water rate structure applies equal monthly service fees and usage charges per unit of water (748 gallons or one hcf) to all customer classes (excluding temporary accounts). Monthly charges for sewer service are calculated based on the number of equivalent dwelling units (EDUs) serviced by each account. EDUs are calculated based on each account's wastewater demand factor; a table of these factors is shown in Appendix A for reference.

1.3 Forward-Looking Statement

The projections and forecasts of this analysis are based on reasonable expectation of future events. Additionally, Carollo did not audit nor verify the accuracy of the District's customer billing or financial records used as the foundation of this analysis. Should cost escalation, operating expenditures, or capital needs vary from projected levels prior to Fiscal Year Ending (FY) 2018, the District may require an additional Proposition 218 process to increase rates above currently projected levels. The District may similarly be required to begin a new Proposition 218 process should revenues not materialize as projected.

2.0 OVERVIEW OF RATE SETTING PROCESS

Rate analyses are typically performed every few years so that revenues from rates are adequately funding utility operations, maintenance, and ongoing capital needs. Additionally, in California, water rates must adhere to the cost of service requirements imposed by Proposition 218 and the State Constitution. Proposition 218 requires that property related fees and charges, including water rates, do not exceed the reasonable and proportional cost of providing the service. Article X (2) of the State Constitution establishes the need to preserve the State's water supplies and discourage the wasteful or unreasonable use of water by encouraging conservation.

To achieve these requirements, a comprehensive rate study typically consists of following progression of three interconnected processes.

Revenue Requirement Analysis:

- Compares the existing revenues of the utility to its operating, capital, and policy driven costs in order to determine the adequacy of the existing rates to fully recover the utility's costs.

Cost of Service Analysis:

- Identifies and apportions annual revenue requirements to functional rate components based on its application of the utility system.

Rate Design:

- Considers both the level and structure of the rate design to collect the distributed revenue requirements from each class of service

Within the standard approach and legal requirements, there is significant flexibility in a cost-of-service application to develop rates that appropriately and adequately reflect the distinct and unique characteristics of a utility and the values of the community.

2.1 Assumptions & Data

2.1.1 Project Objectives

Marina Coast Water District retained Carollo to perform a water rate and revenue study to achieve a variety of primary objectives:

- Conduct a cost of service study to determine the appropriate rate and charge levels that are consistent with legal requirements
- Create water and sewer rates that provide sufficient and predictable revenues to adequately fund expenditures and funding of reserves;
- Within the principles of Proposition 218, design rates that promote efficient use of water to meet the State's 20x2020 (SB 7x-7) mandate
- Develop a capital financing plan to fund the District's five year Capital Improvement Plan (CIP) and provide a financial foundation for capital projects in future years

2.1.2 Growth and Water Demand

Water sales are the primary source of revenues; thus, it is critical to examine and validate potential shifts in short and long-term water demands. For the purposes of understanding potential usage reductions, Carollo prepared a water demand analysis consisting of the previous thirty-three months of billing data and over ten years of water production records. This data along with the growth projections of the 2010 Marina Coast Water District Urban Water Management Plan (UWMP) was reviewed to examine historical patterns and potential developing trends.

As described later within this report, the proposed reserve targets and rates are designed to mitigate some financial instability associated with the usage and revenue volatility.

Upon analysis of historical consumption and billing data, it was found that the growth predictions of the District's 2010 Urban Water Management Plan (UWMP) might have been overly aggressive given the continued consequence of the economic downturn. In the practice of financial planning and rate setting for water and wastewater utilities, aggressive growth assumptions are often cause for concern. Rates and fees are developed based on the predicted number of accounts and on predicted levels of consumption, therefore, growth not materializing as expected leads to insufficient collection of revenues. These concerns were discussed with district staff, and it was agreed upon that the growth figures of the UWMP would be adjusted downward for the rate study in order to minimize financial risk.

According to the UWMP, the population of the Central Marina service area will increase from approximately 16,800 in 2010 to approximately 24,000 in 2020, an annualized growth rate on 3.6 percent. However, this analysis assumes a more conservative annual customer account growth of just over 1.0 percent over that same time period. Based on discussion

with staff, Carollo reduced the growth rate in the UWMP by one-third. Equal annual account growth escalators were applied to both Marina Water and Marina Sewer.

The population of the Ord Community service area is expected to increase from approximately 15,300 in 2010 to approximately 34,000 in 2020, an annualized growth rate of 7.6 percent. Given the realized growth rate since 2010 is considerably lower, Carollo has adjusted the analysis with a forecasted annual customer account growth of 4.3 percent. Based on discussion with staff, Carollo discounted the UWMP's forecasted rate by 75 percent. Again, equal annual account growth escalators were applied to both Ord Water and Ord Sewer.

In FY2012, Marina Water sold approximately 743,000 units of water. Over the course of the study, through FY2018, demand is forecasted to rise to 815,000 hcf. This increase constitutes nearly a 10% increase in overall consumption as compared to FY2012. This forecast is based on historical trends and reflects the reductions to the UWMP predictions.

In FY2012, Ord Water sold approximately 940,000 units of water. Demand is forecasted to rise to 1.3 million hcf by FY2018. This increase constitutes nearly a 38% increase in overall consumption as compared to FY2012. This forecast is based on historical trends and reflects the reductions from the UWMP. Should demands or other major assumptions, significantly vary from forecasted levels, the District may need to update its financial plan and rates to adequately fund operations.

3.0 REVENUE REQUIREMENTS ANALYSIS

3.1 Introduction

The adequacy of the existing rate structure can be measured by comparing revenue requirement projections against revenue projections under existing rates. If revenue projections under existing rates do not meet forecasted requirements, rates need to be adjusted.

The FY2013 budget for each cost center was used as the base year for O&M costs. The foundation of the analysis is based on relevant financial information provided by the District including: existing debt service and future payments, current reserve ending fund balances, other future expenses, other future revenues, and other miscellaneous financial information.

The first step in a rate analysis is to prepare the revenue requirements for both water and sewer cost centers. This analysis has two main purposes – it serves as a means of evaluating each cost center's fiscal health and adequacy of current rate levels, and it sets the basis for near- and long-term rate planning.

The revenue requirement is derived of five components: Operations and Maintenance (O&M), Annual Debt Service; Policy Requirements & Coverage; Capital Expenditures; and, Offsetting Revenues.

There are two tests utilized to define the annual revenues necessary to provide both sufficient (1) cash flow and (2) debt coverage. These sufficiency tests are commonly used to determine the amount of annual revenue that must be generated from an agency's rates.

- Cash Flow Sufficiency Test – The cash flow test defines the amount of annual revenues that must be generated in order to meet annual expenditure obligations of the utility.
- Bond Coverage Sufficiency Test – Bond coverage refers to the collection in revenues to meet all operating expenses and debt service obligations plus an additional multiple of that debt service. MCWD has a legally required minimum bond coverage ratio of 1.25x on senior debt (2006 series bonds) and 1.10x on junior debt (2010 series bonds); however, for the purpose of prudent financial planning the bond coverage test was set to meet a 1.35x coverage ratio senior debt service and a 1.20x coverage ratio for junior debt service.

Revenues must be sufficient to satisfy both tests. If revenues are found to be deficient through one or both of the tests, then the greater deficiency (shortfall) drives the rate increase.

The cash flow test identifies projected cash requirements in each given year. Cash requirements include O&M expenses, debt service payments, policy-driven additions to working capital, miscellaneous capital outlays, replacement funding, and rate-funded capital

expenditures. These expenses are compared to the total annual projected revenues. Shortfalls are then used to estimate needed rate increases.

The bond-coverage test measures the ability of a utility to meet legal and policy-driven revenue obligations. Given the District's existing debt obligations, it is required to collect sufficient funds through rates to meet all ongoing O&M expenses, as well as 1.25 times (1.35x as tested) the total senior debt-service requirements, and additionally 1.10 times (1.20x as tested) the total junior debt-service requirements due in a year.

Currently, the District meets its debt service coverage requirements through a combined coverage test in which total debt service (allocated amongst all four cost centers) is tested against the total revenues generated by all cost centers. It is the recommendation of this study that for increased equity between cost centers that each cost center be responsible for generating its own proportionate share of the coverage-required revenues. While the District would continue to utilize a combined coverage test for its legal obligations, each cost center's revenue requirements will be set to individually recover its apportioned debt service and coverage obligations. Simply, if debt is incurred by a cost center, the same cost center is burdened with the repayment of the debt and debt coverage obligations.

3.1.1 Existing Financial Position

Marina Water is currently financially stable. Proposed revenue adjustments for Marina Water are driven by the desire to continue that state of well being, as well as to smooth rate increases ahead of increased capital expenditures in future years. Marina Water maintains sufficient operating reserves in excess of the six-month (180 day) minimum operating target. It has capital reserves in excess of the minimum \$1.0 million target for each cost center.

The Marina Sewer cost center requires revenues increases to meet its financial obligations; both coverage and cash flow needs drive proposed revenue increases in the near term. Currently, Marina Sewer is not meeting its desired minimum operating reserve levels as recent expenditure levels have exceeded available revenues. Immediate increases are required to fund the existing 25 percent reserve deficiency. In subsequent years, debt coverage will become the main driver of Marina Sewer rate increases as the issuance of future debt is assumed to fund much of the proposed Marina Sewer CIP.

Ord Water is projected to end the current fiscal year with 17 percent of its desired minimum operating fund balance. In addition, Ord Water has a significant capital program to repair or replace existing infrastructure. As such, necessary increases are required to generate a positive cash flow and return the Ord Water cost center to a self-sustaining enterprise. Following a return to positive cash flow, debt coverage will become the main driver of future rate increases as the issuance of future debt is assumed to fund much of the proposed CIP.

Ord Sewer is projected to end the current fiscal year with fully funded operating and capital reserves. Although sizeable increases are not recommended at this time, the District has

identified significant capital needs in the near term (next five years). To minimize the overall ratepayer impact, based on discussions with District staff, these capital projects will be undertaken over a longer ten-year time horizon. Similar to the other cost centers, the use of debt is assumed to mitigate the upfront cash outlay of projects and to align payments of the asset with its useful life.

3.2 Existing Operating Expenditures

For sound financial operations of the District’s water and sewer systems, the revenues generated by each cost center must be sufficient to meet the expenditures or cash obligations of each cost center. The revenue needs are defined as the amount of revenues that must be recovered through water or sewer rates in order to cover annual expenditures, less any offsetting revenues. Offsetting revenues can include interest earnings and other non-operating revenues.

3.2.1 Operating Needs

Operating needs are expenditures that each cost center incurs in the day-to-day operations of its systems – e.g., employee salaries and benefits, system maintenance, fuel, and chemicals

The District’s FY2013 operating budget served as the basis for forecasting future operating expenses for each of the utilities. The budget was compared to prior year actual financial information to identify any anomalies or one-time expenditures not appropriate for forecasting in future years. District staff also reviewed the budget to identify costs that may need to be adjusted due to future operational changes. Unless manually calculated, future years were forecasted using escalation factors provided by District staff. These factors were assigned on a line-item basis using one of the following factors:

Table 3-1: Cost Escalation Factors

Cost Escalator	Description
Labor Cost Inflation	Labor rates are assumed to increase at 3%.
Construction Cost Inflation	Although capital cost inflation is commonly linked to the Engineering News Record (ENR) Construction Cost Index (CCI), the inflation rate assumes a long-term average of 3.5%.
General Cost Inflation	This rate applies to most expenses in the operating expense forecast, and the District’s expected long-term inflation rate (3%).

3.2.2 Debt Service

The District's existing debt service payments are established in the debt repayment schedules. As part of the development of the budget, each debt obligation is allocated to each cost center, based on use of funds within each series, to reflect the benefit received. Marina Water's FY2013 annual payment for existing debt service is nearly \$890,000 and roughly \$260,000 for Marina Sewer. Ord Water and Sewer's existing annual debt service is \$1.7 million and \$250,000, respectively. For each cost center, existing debt service is comprised of three outstanding debt issues: the 2006 series bonds, the 2010 series bonds, and a small amount from a Fort Ord Reuse Authority (FORA) promissory note. Typically, debt is a preferred funding mechanism for large capital programs as the payments represent a capital investment to be paid over the life of the asset.

Tables 3-2 through 3-5 summarize the existing debt repayment schedule obligations for each of the four cost centers.

Table 3-2: Marina Water Debt Service Schedule

Fiscal Year	2006 Series Bond	2010 Refunding	FORA Prom. Note	Total Debt
FY2013	\$594,759	\$283,757	\$8,489	\$887,005
FY2014	601,607	282,657	6,367	890,631
FY2015	614,835	281,257	-	896,092
FY2016	584,648	280,956	-	865,604
FY2017	597,961	280,296	-	878,258
FY2018	611,103	280,676	-	891,779
FY2019	624,074	276,776	-	900,850
FY2020	831,327	511,826	-	1,343,153
FY2021	650,933	-	-	650,933

Table 3-3: Marina Sewer Debt Service Schedule

Fiscal Year	2006 Series Bond	2010 Refunding	FORA Prom. Note	Total Debt
FY2013	\$174,502	\$82,429	\$1,981	\$258,912
FY2014	173,083	81,999	1,486	256,568
FY2015	172,323	81,479	-	253,802
FY2016	166,584	81,268	-	247,853
FY2017	165,881	80,950	-	246,831
FY2018	165,064	80,924	-	245,988
FY2019	164,133	79,634	-	243,767
FY2020	184,886	146,608	-	331,495
FY2021	160,492	-	-	160,492

Table 3-2: Ord Water Debt Service Schedule

Fiscal Year	2006 Series Bond	2010 Refunding	FORA Prom. Note	Total Debt
FY2013	\$1,197,606	\$495,425	\$14,431	\$1,707,462
FY2014	1,187,688	494,425	10,824	1,692,937
FY2015	1,182,226	492,925	-	1,675,151
FY2016	1,143,005	493,425	-	1,636,430
FY2017	1,137,935	493,325	-	1,631,260
FY2018	1,132,080	495,125	-	1,627,205
FY2019	1,125,440	489,625	-	1,615,065
FY2020	1,265,748	910,875	-	2,176,623
FY2021	1,099,842	-	-	1,099,842

Table 3-3: Ord Sewer Debt Service Schedule

Fiscal Year	2006 Series Bond	2010 Refunding	FORA Prom. Note	Total Debt
FY2013	\$529,501	\$129,239	\$3,396	\$662,136
FY2014	527,018	129,769	2,547	659,334
FY2015	527,178	130,190	-	657,368
FY2016	508,107	131,200	-	639,308
FY2017	508,423	132,079	-	640,502
FY2018	508,428	133,525	-	641,953
FY2019	508,120	133,216	-	641,335
FY2020	592,379	252,441	-	844,821
FY2021	503,195	-	-	503,195

Eight years of debt service is shown as the debt service associated with the 2010 Series Bonds expires in FY2021. As such, approximately \$290,000 in debt service cost is removed from Marina Water, and approximately \$80,000 in debt service cost removed from Marina Sewer. As the Ord cost centers have a greater amount of debt, they will realize expenditure savings of \$910,000 and 250,000, respectively between water and sewer. This helps mitigate the need for additional revenue adjustments and helps provide increased capital funding capacity in the form of both cash and the ability to issue new debt.

3.2.3 Debt Service Coverage

The District must meet debt service coverage requirement on its outstanding bond issues. As noted above, for the purposes of this rate analysis, the required debt coverage is 1.35x on the 2006 Series Bonds (Senior Debt) and 1.20x on the 2010 Series Bonds (Junior Debt), which means that the District's adjusted net revenues shall amount to at least 135 percent of the annual debt service. Once coverage of senior debt is established, the net revenues available for coverage of the junior debt must amount to at least 120 percent of the annual debt service. Annual debt service includes the annual principal and interest payments on outstanding debt. Under the proposed revenue adjustments, the District is forecasted to

meet and exceed the coverage requirements during each year of the study's planning period.

3.2.4 Capital Projects

The CIP includes a variety of capital projects that involve repairing (or replacing) existing assets and/or expanding system capacity to accommodate growth. Although all projects were identified, only projects related to the supporting the existing infrastructure are included in the rate analysis and proposed rates. Carollo worked with the District to identify and prioritize projects over the course of the study. Even so, the identified prioritized improvements would significantly increase rates. District staff assessed future capital needs and identified critical and non-critical capital projects over an extended time horizon. The identified CIP for each cost center is included for reference in Appendix B.

The prioritization of the capital program is based solely on staff direction and is not based upon an independent risk assessment. It is recommended the District update its Water and Sewer Master Plans, as well as, implement an asset management program to better identify and prioritize the needs of the each system.

Given the inability to increase rates to adequately fund the proposed CIP, revenue increases were capped based on direction from District staff. As such, rather than detail the specific projects to be funded, Carollo identified the forecasted funding potential of each cost center, available to pay for the proposed capital program. Without modifying the proposed revenue increases, Carollo evaluated various funding scenarios by modifying existing reserve levels and the utilization of debt. Although the District could potentially fund additional projects by utilizing reserves (lowering from existing levels), the Board believed it was best to maintain strong reserves in light of existing unknowns.

For illustrative purposes, Figure 3-1 identifies the capital funding potential for Marina Water given the proposed revenue adjustments. Under both scenarios, Marina Water is able to fund the proposed capital needs of the system over the next five years.

In addition, for reference, Carollo identified the cost center's estimated system depreciation over the same 5-year time horizon. This amount can be used as a benchmark for the reasonableness of the existing capital improvement program for an existing system. Furthermore, a funding level below the depreciation point would signify an under investment of capital and loss in system equity on paid off assets. Marina Water is the District's only cost center to generate sufficient cash flow to fully reinvest depreciation.

Figure 3-1 defines Marina Water’s capital funding potential, relative to planned capital improvements and system depreciation.

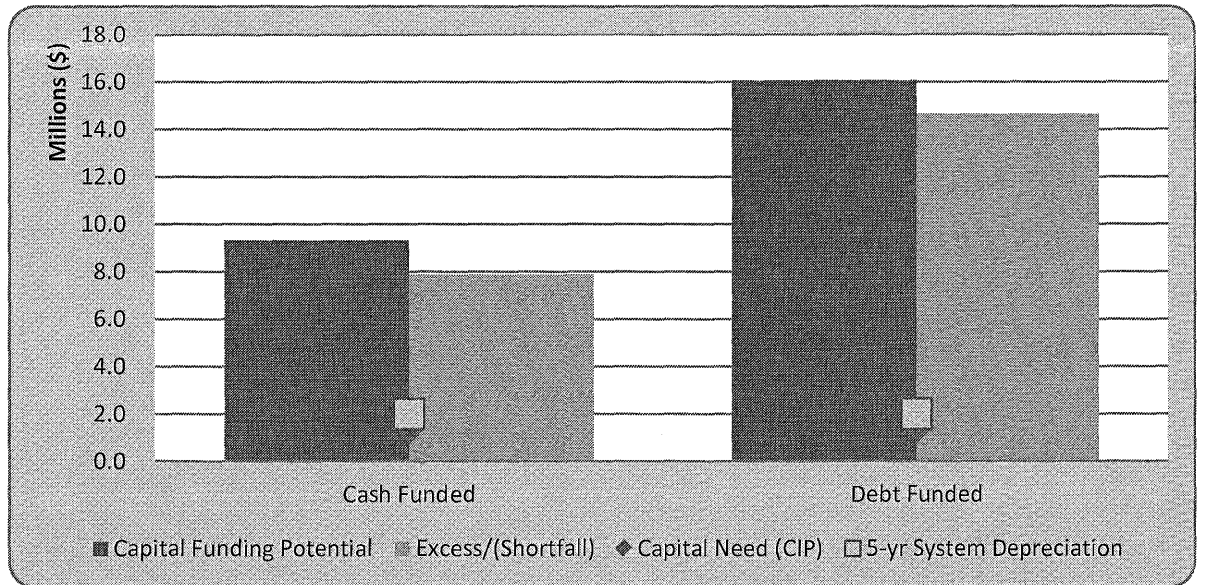


Figure 3-1: Marina Water – Five-Year Capital Funding Potential

Unlike Marina Water, even with the proposed revenue adjustments Marina Sewer is unable to fund the proposed capital improvement program. Under the cash option, the cost center also fails to fund the depreciation level. Although debt options were explored, Carollo explored this from a feasibility level. The District would have to seek funding to define the appropriate terms and conditions. General debt assumptions were applied as a tool for discussion purposes only.

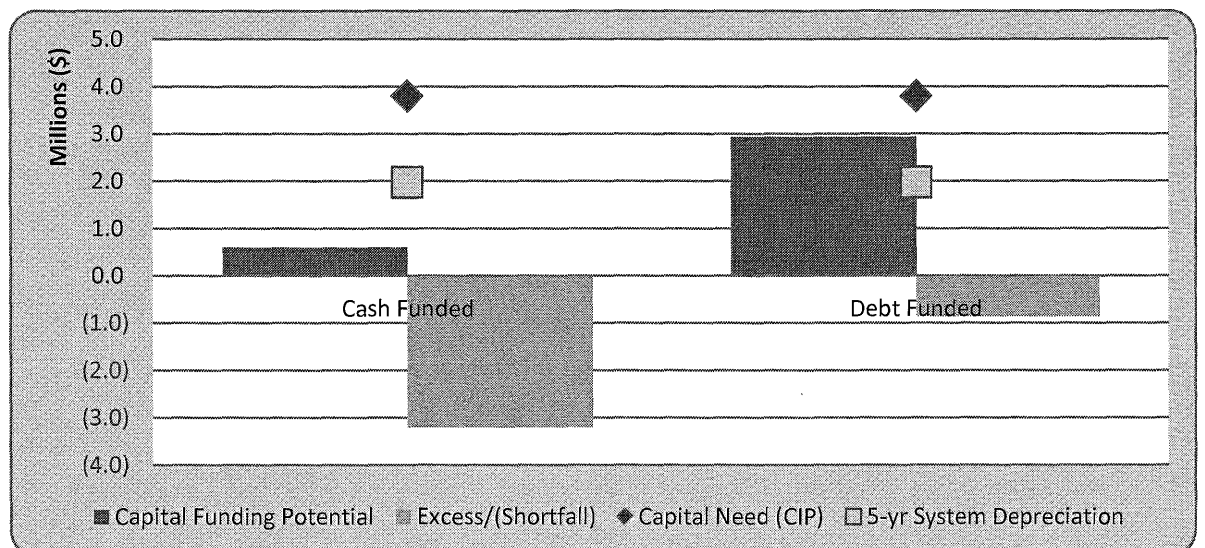


Figure 3-2: Marina Sewer - Five-Year Capital Funding Potential

Ord Water has the largest asset value of the four cost centers. As shown below, the proposed CIP is actually less than the calculated depreciation. Given the need to increase rates to generate sufficient cash flow and the significant improvement program, Ord Water is forecasted to be able to leverage proposed increases to fund capital projects with debt. The funding capacity assumptions for debt are highly sensitive to timing. Furthermore, the analysis did not analyze the District's ability to borrow, but simply included the costs and coverage requirements associated with a possible debt issuance.

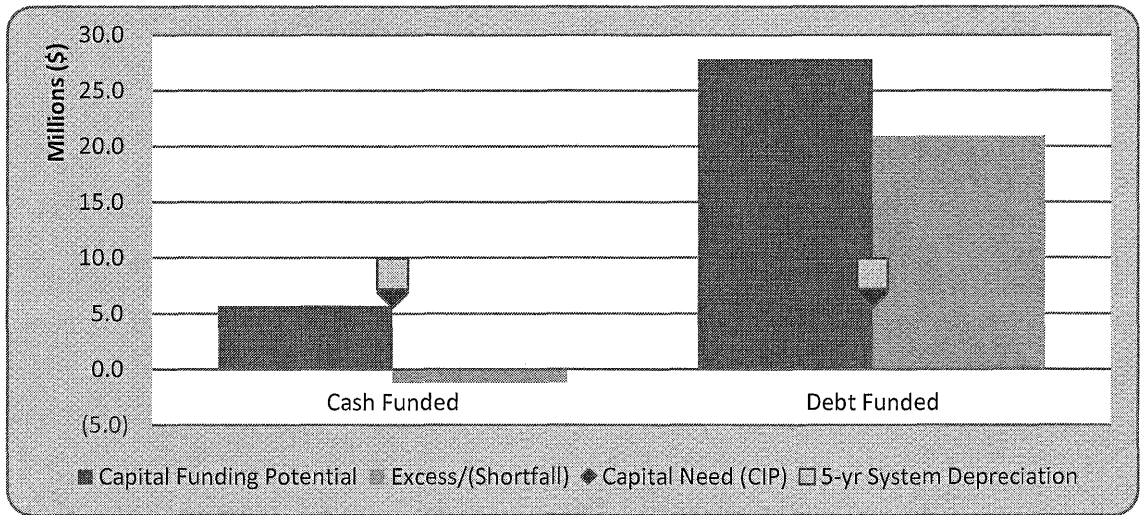


Figure 3-3: Ord Water - Five-Year Capital Funding Potential

Over the next five years, the District has identified a significant CIP program for Ord Sewer. However, looking to years 6-10, there are no proposed CIP expenditures. As such, the identified CIP is assumed to be spread over a 10-year horizon to smooth expenditures and minimize costs.

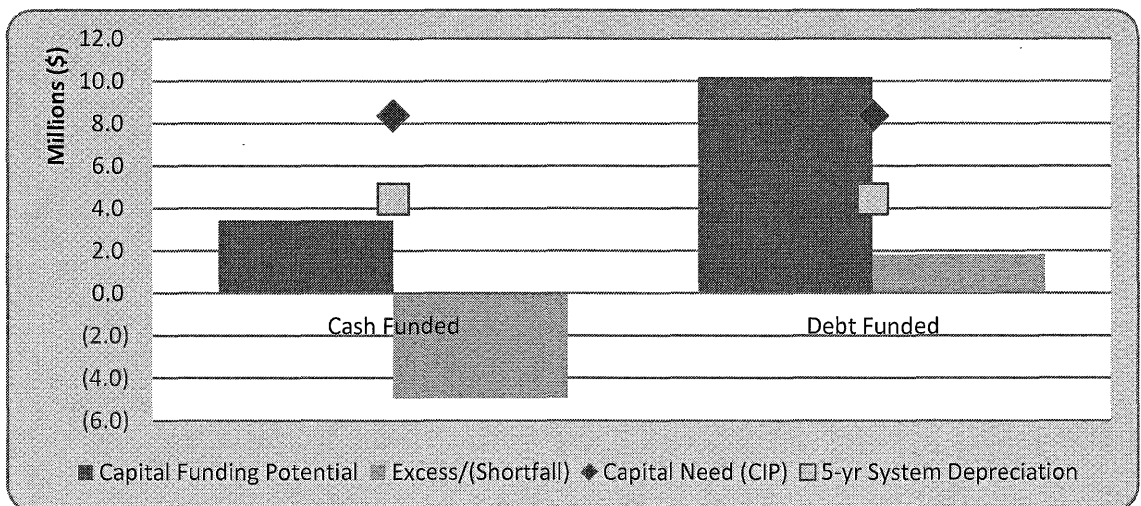


Figure 3-4: Ord Sewer - Five-Year Capital Funding Potential

As the District does not have an asset management program or a policy in place to define risk, this analysis assumes all projects can be deferred as presented within this report. Additionally, the analysis does not account for possible increases to operational expenditures associated with these future projects or possible increased capital costs due to emergency repairs. It is recommended the District establish a formal Repair and Replacement (R&R) program to help manage its assets from installation through disposal in a cost-effective manner. R&R programs provide the tools to better predict and maintain infrastructure to provide increased reliability, performance, and safety.

3.2.5 Policy Driven Needs

In addition to the operating and capital expenses, discussed above, there are also expenses resulting from policy decisions. Under current policy, the District has established both operating and capital reserves for each cost center. The revenue requirements analysis targets a total minimum operating fund balance equivalent to 180 days of operating expenses for each cost center as dictated by District policy. The minimum capital reserve target is \$1 million for each cost center, again as dictated by District policy. As existing Marina Sewer and Ord Water are currently under the minimum operating reserve target, it is recommended that the District continue to closely monitor revenues and reserve levels.

The analysis explored and presented to the board multiple financial scenarios exploring the effects of lowered reserve targets on revenue needs and capital funding potential. Upon review, the board indicated that although the lowered reserve targets offered the benefit of increased capital funding potential, those benefits were out weighed by the financial security provided by the current reserve targets. Nevertheless, the reserve targets could be adjusted in the future as policy dictates to minimize rates or to smooth future rate increases.

3.3 Existing Revenues

Marina Water and Sewer currently generate total revenues of approximately \$3.9 million and \$800,000 per year, respectively. Ord Sewer currently generates total revenues of approximately \$1.8 million per year. The vast majority (over 95 percent) of their revenue comes from user rates. The remaining revenue is generated from a variety of sources including administrative fees, capacity fees and surcharges, and interest income.

Ord Water currently generates total revenues of approximately \$5.4 million per year. Table 3-5 shows revenues, by source, for the Ord Cost Center (FY2013 budgeted amounts).

Table 3-5: Ord Water Revenue by Source

Source	Revenue	Percent
Metered User Rates	\$3,021,466	56%
Flat Rate Accounts	1,177,545	22%
Other Water Sales	915,000	17%
All Other Revenue	302,620	6%
Total	5,416,631	100%

The percentage of revenues generated by each source is expected to shift in the near term. The District is in the process of switching flat rate accounts to metered, shifting revenue generation to the Metered User Charges Source. The analysis assumes that this change will be revenue neutral. Another change expected to take place relates to the Other Water Sales. Revenues from this source are currently shown as cash, however, in reality they are payment for water usage by the Bayonet & Black Horse Golf Club in the form of land assets. It is expected that after the next two fiscal years, this land for water deal will expire as the total contract amount of 5,000-acre feet of water will have been delivered. The analysis assumes that at this time, revenue from Other Water Sales will be collected as cash, and will be available to fund operating and CIP expenditures.

3.3.1 User Rates

User rate revenues are the primary revenue source of each utility. As detailed in Tables 1-1 and 1-2, user charges are comprised of a fixed and variable component. In FY2012, both water utilities generated over 30 percent of total rate revenue from fixed charges – with Marina Water at roughly 31 percent and Ord Water generating a slightly higher 34 percent. This fixed revenue versus variable revenue split is in line with the California Urban Water Conservation Council (CUWCC) BMP 1.4 advised target of collecting 30 percent of revenue from fixed charges.

All sewer service charges are fixed monthly charges based on the number of EDU's served by each account. Unlike Water, this rate structure provides a very predictable and steady source of funds for Marina and Ord Sewer.

In recent years, the Marina Sewer, Ord Water, and Ord Sewer cost centers have required inter-fund loans from other cost centers, primarily to assist in the funding of capital projects. The prepared revenue requirements analysis is designed to move away from this practice, and push these cost centers toward a state of self-sustainability.

3.3.2 Other Revenues

As mentioned earlier in this section, other revenues make up a very small portion of annual revenue for each cost center. Consequently, changes in other revenue have a minimal

impact on the revenue requirement analysis. In most cases, other revenues were escalated from the FY2013 budget based on general inflation and/or customer growth.

3.4 Recommended Revenue Requirements

Throughout the development of the proposed revenue requirements, multiple rate revenue forecasts were developed to explore the feasibility of funding future capital needs and options to mitigate ratepayer impacts. The extent of the proposed revenue adjustments is largely contingent on the funding and timing of capital projects. Two sets of financial scenarios were developed for each cost center. The first assumed that all capital projects would be cash funded; the second assumed that capital would be funded with a combination of cash and the issuance of additional debt.

Due to its strong financial health, revenue generation, existing reserves, and proposed CIP, Marina Water will be able to cash fund its CIP with minimal rate increases. Given the high amount of capital expenditures planned for Marina Sewer relative to its operating revenue, funding of Marina Sewer's CIP will require the issuance of new debt along with delaying some projects to later years until increased funding capacity is available.

Proposed rate revenue increases are shown for Marina Water and Marina Sewer in Tables 3-5 and 3-6, respectively. The results of the revenue requirement analysis for Marina Water and Marina Sewer are summarized in Appendix C, Tables C-1 and C-2 respectively.

Table 3-5: Marina Water Revenue Adjustments Schedule

Fiscal Year	Revenue Adjustments	Revenues From Rate Increase
FY2014	3.00%	\$58,721
FY2015	3.00%	\$60,859
FY2016	3.00%	\$63,744
FY2017	3.00%	\$66,765
FY2018	3.00%	\$69,930

Table 3-6: Marina Sewer Revenue Adjustments Schedule

Fiscal Year	Revenue Adjustments	Revenues From Rate Increase
FY2014	10.00%	\$40,099
FY2015	10.00%	\$44,384
FY2016	10.00%	\$49,647
FY2017	10.00%	\$55,534
FY2018	10.00%	\$62,119

Given the high amount of capital expenditures planned for both Ord Water and Ord Sewer relative to the operating revenue generated by each cost center CIP funding will require the

issuance of new debt along with delaying some projects until increased funding capacity is available.

Proposed rate revenue increases are shown for Ord Water and Ord Sewer in Tables 3-7 and 3-8 respectively. The results of the revenue requirement analysis for Marina Water and Marina Sewer are summarized in Appendix C, Tables C-3 and C-4 respectively.

As shown below, for both Ord Water and Ord Sewer have proposed revenue adjustments in the fifth year. Following previous increases, the revenue requirement in the fifth year is maintained by a 4.0 percent increase, rather than an additional 10 percent adjustment. On the other hand, Ord Sewer's revenue need increases in the fifth year (FY2018) in order to ramp up funding for forecasted needs beyond the 5-year rate outlook.

Table 3-7: Ord Water Revenue Adjustments Schedule

Fiscal Year	Revenue Adjustments	Revenues From Rate Increase
FY2014	10.00%	\$272,078
FY2015	10.00%	\$318,234
FY2016	10.00%	\$364,281
FY2017	10.00%	\$417,109
FY2018	4.00%	\$191,093

Table 3-8: Ord Sewer Revenue Adjustments Schedule

Fiscal Year	Revenue Adjustments	Revenues From Rate Increase
FY2014	4.00%	\$36,449
FY2015	4.00%	\$40,792
FY2016	4.00%	\$44,471
FY2017	4.00%	\$48,482
FY2018	8.00%	\$105,710

For each of the Cost Center's, the proposed revenue adjustments are defined to meet the District's outlined objectives. While rates were increased to meet the District operating and capital reserve requirements, the capital program was limited to mitigate additional increases.

4.0 COST OF SERVICE ANALYSIS

The purpose of a cost-of-service analysis is to provide a rational basis for distributing the full costs of Marina and Ord Water service to each customer in proportion to the demands they place on the system. Detailed cost allocations help determine the degree of equity that can be achieved in the design of the resulting unit rates. This analysis yields an appropriate method for allocating costs, which could be sustained unless substantial changes in cost drivers or customer consumption patterns occur.

4.1 Water Cost of Service

The cost of service allocation completed in this study is established on the base-extra capacity method as defined by the American Water Works Association (AWWA). Under the base-extra capacity method, revenue requirements are allocated based on the demand placed on the water system.

4.1.1 Water Functional Cost Components

The functional allocation assigns the annual revenue requirement for a select base year by major function. The water utility's primary functions are related to base flow, peak flow, customer costs (customer and services). These functional cost pools include the rate paid for water supplied by outside agencies, the system's existing operations and maintenance (O&M) expenditures, debt service, and rate-funded capital costs.

The District's budget was analyzed line-item by line-item and expenditures were distributed between the available functions:

Base: costs are those operating and capital costs incurred by the water system to provide a basic level of service to each customer.

Peak: costs represent those operating costs incurred to meet peak demands for water in excess of basic demand (base). This cost also includes capital costs related providing the required system over-sizing to meet excess demand. This allocation also includes basic water supply and distribution costs.

Customer: Fixed expenditures that relate to operational support activities including accounting, billing, customer service, and administrative and technical support. These expenditures are essentially common-to-all customers and are reasonable uniform across the different customer classes.

Service: Meter and capacity related costs, such as meter maintenance and peaking charges, that are included based on the meters hydraulic capacity (measured in gallons per minute). Additionally, as the system's facilities are designed to meeting peaking requirements, a portion of the capacity related costs, including debt service, are allocated to Service.

Fire Service: Capacity related costs that are incurred based on the excess capacity that must be designed into the system in order to provide fire service.

4.1.2 Allocation to Functional Components

The result of Marina Water's functional allocation is presented in Figure 4-1. The Service, Customer, and Fire Service components collectively represent 28 percent of Marina Water's costs and will generate the fixed charge. The remaining 72 percent of costs are allocated to the Base and Peak components, and are the basis for the variable rates.

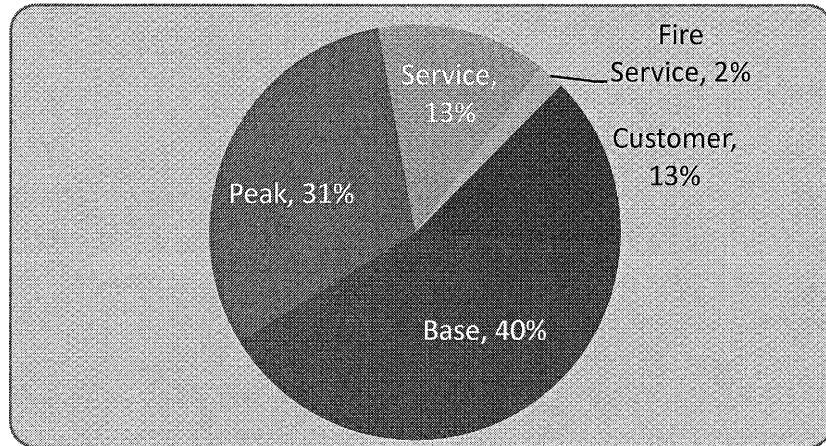


Figure 4-1: Marina Water - Functional Cost Allocation

As Ord Water is an entirely separate system, the resulting functional allocation results in a slightly different spread. Presented in Figure 4-2 are the results of the functional allocation. The fixed components comprised of the Service, Customer, and Fire Service components collectively represent 34 percent of Ord Water's costs. The remaining 66 percent of costs are allocated to the Base and Peak components, and are the basis for the variable rates.

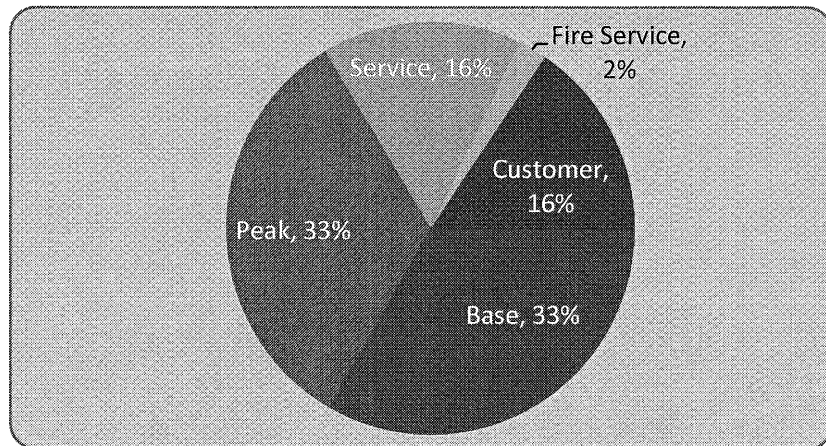


Figure 4-2: Ord Water - Functional Cost Allocation

The breakdown between functional categories is important and used to better understand how costs are incurred and whether they fluctuate with changes in water sales. For example, debt service or personnel costs are considered fixed costs and could be recovered through a fixed charge. Alternatively, purchased water is solely related to how much water is sold and therefore could be attributed and recovered via the variable rates.

There is significant debate over the proper allocation ratio. The general consensus falls to the California Urban Water Conservation Council (CUWCC) target of a 70%/30% split (variable/fixed) as defined in Best Management Practice 1.4. This split is thought to provide sufficient revenue stability (in the form of fixed charges) while still providing adequate conservation incentives. However, many retail agencies have moved to a higher fixed to variable ratio due to revenue fluctuations and need for greater fiscal sustainability.

Based on the results of the functional allocation, the proposed functional allocation is aligned with the CUWCC recommendation. As shown earlier, both Marina and Ord's existing water revenues were examined to derive a current fixed/variable ratio near the recommended levels.

4.1.3 Unit Cost Calculations

The unit costs of service are developed by dividing the total annual costs allocated to each parameter by the total annual service units of the respective component. The Base component is allocated based on the total sales volume. The Peaking component cost is based on the system's peak ratio developed from the ratio between annualized winter consumption and annual consumption. For the fixed components, the Customer component unit cost is based on the number of accounts and the Service component is based on equivalent meters.

Table 4-1 shows the units of service and the associated unit costs for each component derived for Marina Water.

Table 4-1: Development of Unit Costs – Marina Water

	Customer	Base	Peak	Service	Fire Service
Amount Allocable to Constituent	\$537,246	\$1,626,200	\$1,246,196	\$537,246	\$85,286
Total Units	45,768 <i>Annual Accounts</i>	770,313 <i>Annual Usage (hcf)</i>	770,313 <i>Annual Usage (hcf)</i>	66,108 <i>Annual EDUs</i>	57,296 <i>Annual Equivalents</i>
Per Unit Costs	\$11.74	\$2.11	\$1.62	\$8.13	\$1.49

Table 4-2 provides Ord Water’s calculated units of service and the corresponding component unit costs.

Table 4-2: Development of Unit Costs – Ord Water

	Customer	Base	Peak	Service	Fire Service
Amount Allocable to Constituent	\$944,683	\$1,980,149	\$1,980,149	\$944,683	\$136,051
Total Units	52,058 <i>Annual Accounts</i>	1,085,466 <i>annual Usage (hcf)</i>	1,085,466 <i>annual Usage (hcf)</i>	87,348 <i>Annual EDUs</i>	80,645 <i>Annual Equivalents</i>
Per Unit Costs	\$18.15	\$1.82	\$1.82	\$10.82	\$1.69

4.1.4 Functional Allocation Impact

Although fairly consistent in methodology with the previous rate study, there is one notable difference. Carollo recommends the consideration and inclusion of an account-based component (Customer component). The previous rate study and existing rate structure do not recognize costs that are associated with customer/account only. In effect, there is currently no required revenue allocated to the Customer component or developed unit cost.

As discussed in Section 4.1, costs such as customer billing and administration do not vary or incur a greater benefit (cost) based on meter size. Accordingly, costs that are allocated to the Customer component are spread equally to all accounts, rather than meter size or EDUs.

4.1.5 Customer Class Allocation

The unit costs of each component shown in Table 4-1 are then applied to each customer classes’ projected use, accounts, and meter equivalents to derive customer class allocations. Costs are allocated to each customer class based on their respective peaking factors to reflect its use of the overall system.

The District does not differentiate user rates based on customer class. Given the limitations of the consumption and billing data provided, and the reasonableness of the current rate structure, customer class specific rates were not developed.

As detailed in the following tables, both Water cost center’s have more accounts than its respective sewer cost center. This may be reflective of water customers on septic systems and irrigation only customers.

Table 4-3 shows Marina Water's customer class characteristics that were obtained through billing data analysis.

Table 4-3: Customer Class Characteristics – Marina Water

Customer Statistics (FY 2012)	Single Family	Multi- Family	Commercial	Irrigation	Temp	Fire	Total
Number of Accounts	3,370	173	241	29	1	-	3,814
Number of EDUs (Meter Equivalents)	3,709	857	877	62	2	-	5,509
Water Usage (Annual hcf)	374,760	238,176	124,696	5,130	189	-	742,951
Winter Water Usage (Annualized hcf)	334,615	233,275	108,919	3,941	324	-	681,074
Summer Water Usage (Annualized hcf)	430,963	245,038	146,784	6,794	-	-	829,579
Summer Usage (Incremental hcf)	40,145	4,901	15,777	1,189	N/A	-	61,877
Fire Service (Equivalent Connections)	-	-	-	-	-	4,775	4,775

Table 4-4 shows cost allocation for each customer based on the forecasted revenue requirement based on the data in Table 4-3.

Table 4-4: Customer Class Costs – Marina Water

Functional Component	Single Family	Multi- Family	Commercial	Irrigation	Temp	Fire Service	Total
Customer	\$474,703	\$24,369	\$33,948	\$4,085	\$141	-	\$537,246
Base	820,289	521,329	272,940	11,229	414	-	1,626,200
Peak	805,002	98,279	316,368	23,839	2,707	-	1,246,196
Service	361,744	83,605	85,559	6,094	244	-	537,246
Fire Service	-	-	-	-	-	85,286	85,286
Total	\$2,461,739	\$727,583	\$708,814	\$45,247	\$3,505	\$85,286	\$4,032,174

Table 4-5 identifies Ord Water's customer class characteristics that were obtained through billing data analysis.

Table 4-5: Customer Class Characteristics – Ord Water

Customer Statistics (FY 2012)	Single Family	Multi- Family	Com.	Irrigation	Public Agency	Fire	Total
Number of Accounts	3,523	22	196	69	57	-	3,867
Number of MEUs (Meter Equivalents)	2,710	490	1,280	385	492	-	5,357
Water Usage (Annual hcf)	625,295	58,431	148,023	74,786	32,505	-	939,040
Winter Water Usage (Annualized hcf)	550,777	30,402	118,323	49,983	30,789	-	780,274
Summer Water Usage (Annualized hcf)	774,332	114,489	207,423	124,392	35,937	-	1,256,573
Summer Usage (Incremental hcf)	74,518	28,029	29,700	24,803	1,716	-	158,766
Fire Service (Equivalent Connections)	-	-	-	-	-	6,720	6,720

Table 4-6 shows cost allocation for each customer based on the forecasted revenue requirement based on the characteristics identified in Table 4-5.

Table 4-6: Customer Class Costs – Ord Water

Functional Component	Single Family	Multi- Family	Com.	Irrigation	Public Agency	Fire Service	Total
Customer	\$860,646	\$5,374	\$47,882	\$16,856	\$13,925	-	\$944,683
Base	1,318,556	123,213	312,135	157,701	68,543	-	1,980,149
Peak	929,400	349,580	370,421	309,345	21,402	-	1,980,149
Service	477,838	86,399	225,658	67,961	86,825	-	944,683
Fire Service	-	-	-	-	-	136,051	136,051
Total	\$3,586,440	\$564,567	\$956,096	\$551,864	\$190,695	\$136,051	\$5,985,714

4.2 Sewer Cost of Service

The cost of service process for development of sewer rates follows an approach similar to that used for water service. However, as the Marina and Ord Sewer operations are responsible solely for the collection and conveyance of wastewater and not treatment, a much simpler method of rate design can be used.

4.2.1 Sewer Functional Cost Components

The functional allocation assigns the annual revenue requirement for a select base year by major function. Sewer rates are developed based on the total system costs to be collected through user rates, and the total number of EDUs served. A unit cost per EDU is developed and customers are charged based on the associated number of EDUs.

Table 4-7 shows a summary of the Marina Sewer customer characteristics.

Table 4-7: Marina Sewer Customer Characteristics

Customer Class	Accounts	Average EDUs per Account	Total EDUs
Residential	3,371	1.2	4,064
Multi Family Residential	139	14.9	2,064
Business	165	5.5	911
Restaurants	8	5.0	40
Schools	6	23.1	139
Church	14	1.3	18
Total	3,703	2.0	7,235

Table 4-8 shows a summary of the Ord Cost Center's Sewer customer characteristics.

Table 4-8: Ord Sewer Customer Characteristics

Customer Class	Accounts	Average EDUs per Account	Total EDUs
Residential	2,918	1.6	4,560
Multi Family Residential	0	0.0	0
Business	137	4.1	565
Public Agency	2	1.7	3
Schools	9	28.4	256
Church	1	0.7	1
CSUMB	39	4.0	157
Total	3,067	1.8	5,384

4.2.2 Unit Cost Calculations

For Sewer the unit costs of service are developed by dividing the total annual costs by the total annual service units (EDUs). EDUs are defined based on assumed wastewater demand factors (detailed in Appendix A).

Table 4-9 provides Marina Water's calculated component unit costs.

Table 4-9: Development of Unit Costs - Marina Sewer

Fiscal Year	Rate Revenue Required	Projected EDU's	Annual cost Per EDU	Monthly Rate per EDU
Existing	\$794,437	7,235	\$109.80	\$9.15
FY2014	882,187	7,280	121.17	10.10
FY2015	976,447	7,326	133.29	11.11
FY2016	1,092,235	7,449	146.62	12.22
FY2017	1,221,752	7,575	161.28	13.44
FY2018	1,366,628	7,703	177.41	14.78

Table 4-10 provides Marina Water's calculated component unit costs.

Table 4-10: Development of Unit Costs - Ord Sewer

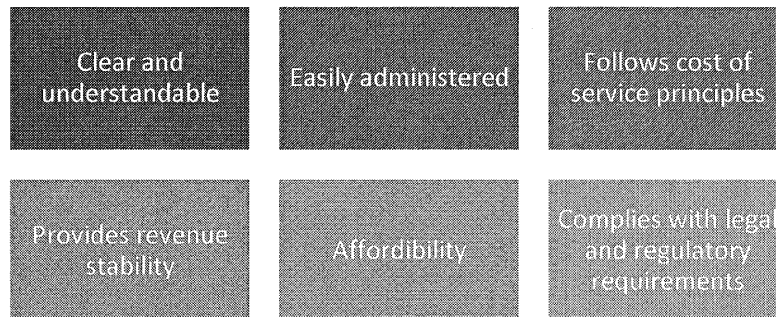
Fiscal Year	Rate Revenue Required	Projected EDU's	Annual cost Per EDU	Monthly Rate per EDU
Existing	\$1,679,652	5,541	\$303.12	\$25.26
FY2014	1,895,353	5,963	317.86	26.49
FY2015	2,121,192	6,417	330.57	27.55
FY2016	2,312,510	6,726	343.79	28.65
FY2017	2,521,085	7,051	357.54	29.80
FY2018	2,854,182	7,391	386.15	32.18

5.0 RATE DESIGN ANALYSIS

The water rate design analysis determines how the costs, identified in Tables 4-4 and 4-6, are recovered by each customer through specified water rates. The focus of this process is to achieve full cost recovery and substantiate that customers are paying their fair and proportionate share of system costs.

5.1 Selecting Rate Structures

Once costs have been equitably allocated to each functional component, the District has some flexibility in designing the rate structure in order to meet its policy objectives. In determining the appropriate rate level and structure, Carollo analyzed various rate design alternatives and the corresponding customer and utility implications. Beyond the identified study objectives, Carollo identified additional criteria for considerations and discussed them at length with District staff. Listed below is a partial list of the additional rate design elements:



Given the numerous and at times competing elements, selection of an appropriate rate structure is complex. There is no single structure that meets all objectives equally, nor are all objectives or elements valued the same by the utility or customers. Each criteria or element has merit and plays an important role in the rates implementation and overall effectiveness. These elements and competing objectives were discussed and evaluated at length throughout the financial and rate study process.

5.2 Recommended Water Rates

Based on discussion with District staff and careful review of the cost of service analysis, Carollo recommends that the District consider the following rate design recommendations

- *Implement the proposed Cost of Service allocations:* The cost-of-service analysis includes a Customer component. As such, costs are allocated distributed evenly to each account. This reflects the equal benefit each account receives from customer component related costs. As a result, fewer costs are now allocated to the Service component which increases based on the size of the meter.

- *Retain the current rate structure.* Through consumption and billing data analysis, the study found the current rate structure to be reasonable. Average winter month consumption per account falls well within the allotment of tiers one and two, providing that the tier three rate is continuing to drive conservation.
- *Implement Proposed Increase on January 1st of each year.* Rate increases during low consumption months better enables ratepayers to adapt to potential increases. While increases that coincide with the start of the fiscal year are ideal for budget purposes, it would also coincide with summer and the District's peak water demand.
- *Removal of Capital Surcharge for New Users.* As Carollo has developed an updated Ord Water Capacity Charge that fully recognizes the value of the existing system (buy-in component), it is no longer necessary or appropriate to capture a Capital Surcharge.

5.2.1 Fixed Charge

A monthly fixed charge is a cost recovery mechanism that is generally included in the rate structure to recover the utility's fixed expenditures, including meter and customer related costs. As discussed previously, this cost also includes a portion of the capacity related cost to provide a stable source of revenue independent of monthly water demand.

While an increased fixed charge provides a stable source of revenues for the utility, increasing the fixed charge reduces the commodity rates and incentive for conservation. The proposed revenue adjustments as a percentage do not equal or necessarily correlate to an equivalent percentage increase to rates or monthly bills. The results of the cost of service analysis and rate redesign will affect users differently based on their meter size and water consumed.

The proposed fixed charge is a combination of the Customer and Service functional components. To determine this charge, the meter unit cost is multiplied by the meter capacity ratios previously developed by the District to calculate the meter capacity cost. These ratios mirror the ratios identified in the AWWA M22 Manual Sizing Water Service Lines and Meters. The ratios reflect a reasonable cost and benefit factor associated with greater hydraulic flow capacity.

The meter capacity cost is then added to the Customer Service cost to calculate the cost based service charges shown in Table 5-1.

Table 5-1: Components to Proposed Fixed Charge – Marina Water

Meter Size	Meter Capacity Ratio	Service Unit Cost	Customer Unit Cost*	Total
5/8"	1.0	\$8.13	\$11.74	\$19.87
3/4"	1.0	8.13	11.74	19.87
1"	2.5	20.31	11.74	32.05
1-1/2"	5.0	40.63	11.74	52.36
2"	8.0	65.00	11.74	76.73
3"	15.0	121.90	11.74	133.64
4"	25.0	203.11	11.74	214.85
6"	50.0	406.22	11.74	417.96
8"	100.0	812.67	11.74	824.41
10"	115.0	934.30	11.74	946.04

* Based on the previous rate study, the existing rate was entirely allocated to the Service component. The Customer Unit Cost recognizes the equal benefit received to each account for expenditures, such as customer billing

Table 5.2 identifies the proposed monthly fixed charges for Marina Water analyzed for the 5-year rate period.

Table 5-2: Proposed Fixed Charges – Marina Water

Meter Size	Existing	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
5/8"	\$18.85	\$19.87	\$20.46	\$21.07	\$21.71	\$22.36
3/4"	18.85	19.87	20.46	21.07	21.71	22.36
1"	47.09	32.05	33.01	34.00	35.02	36.07
1-1/2"	94.19	52.36	53.94	55.55	57.22	58.94
2"	150.68	76.73	79.04	81.41	83.85	86.36
3"	282.52	133.64	137.65	141.78	146.03	150.41
4"	470.87	214.85	221.30	227.93	234.77	241.82
6"	941.75	417.96	430.50	443.41	456.71	470.42
8"	1,883.49	824.41	849.14	874.62	900.86	927.88
10"		946.04	974.42	1003.66	1033.77	1064.78

Table 5.3 provides the components utilized to develop the proposed fixed charge for Ord Water.

Table 5-3: Components to Proposed Fixed Charge – Ord Water

Meter Size	Meter Capacity Ratio	Service Unit Cost	Customer Unit Cost*	Total
5/8"	1.0	\$10.82	\$18.15	\$28.96
3/4"	1.0	10.82	18.15	28.96
1"	2.5	27.03	18.15	45.18
1-1/2"	5.0	54.07	18.15	72.21
2"	8.0	86.50	18.15	104.64
3"	15.0	162.23	18.15	180.37
4"	25.0	270.30	18.15	288.45
6"	50.0	540.60	18.15	558.75
8"	100.0	1081.51	18.15	1099.66

* Based on the previous rate study, the existing rate was entirely allocated to the Service component. The Customer Unit Cost recognizes the equal benefit received to each account for expenditures, such as customer billing

Table 5.4 identifies the proposed monthly fixed charges for Ord Water analyzed over the 5-year rate period.

Table 5-4: Proposed Fixed Charges – Ord Water

Meter Size	Current	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
5/8"	\$17.11	\$28.96	\$31.48	\$34.37	\$37.55	\$38.79
3/4"	17.11	28.96	31.48	34.37	37.55	38.79
1"	42.76	45.18	49.11	53.62	58.57	60.51
1-1/2"	85.49	72.21	78.49	85.71	93.62	96.71
2"	136.78	104.64	113.74	124.20	135.66	140.14
3"	256.47	180.37	196.05	214.09	233.85	241.57
4"	427.45	288.45	313.52	342.36	373.96	386.31
6"	854.89	558.75	607.31	663.18	724.39	748.31
8"	1,709.79	1099.66	1195.24	1305.19	1425.66	1472.72
Flat Rate	\$84.34	\$98.36	\$112.65	\$127.29	\$143.94	\$153.99

5.2.2 Commodity Rates

The District's existing rate structure is comprised of three inclining block tiers. Although Marina and Ord have different rates, they share the same tier structure. Through a comprehensive evaluation of consumption and billing data, the analysis confirmed the reasonableness of the current rate structure and individual tier allocations. For both Marina and Ord Water, average winter month consumption per account falls well within the allotment of tiers one and two, providing that the tier three rate is continuing to drive conservation due to price signaling. As such, Carollo recommends the District maintain its

existing commodity structure and update costs associated with the generated cost of service allocations.

Based on the District's peaking factors, Customer related commodity costs are calculated based on the District's average annually water usage and its incremental summer consumption. The water commodity rate for each customer class is calculated based on the allocated cost to each customer class (required revenues) and the forecasted annual water demands. In this case, all classes share equal commodity rates. Marina Water's proposed monthly tiers and corresponding commodity based rates are shown in Table 5-5.

Table 5-5: Proposed Commodity Rates – Marina Water

	Current	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
All Customer Classes	Rate (per hcf)					
0 - 8 (hcf)	\$2.29	\$2.47	\$2.55	\$2.62	\$2.70	\$2.78
9 - 16	2.79	2.83	2.92	3.01	3.10	3.19
17 - +	5.09	5.00	5.15	5.31	5.47	5.63
* Rate adjustments to be effective January 1 st of each year						

Ord Water's proposed monthly tiers and corresponding commodity based rates are shown in Table 5-6.

Table 5-6: Proposed Commodity Rates – Ord Water

	Current	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
All Customer Classes	Rate (per hcf)					
0 - 8 (hcf)	\$2.33	\$2.22	\$2.60	\$2.97	\$3.40	\$3.68
9 - 16	3.27	3.40	3.98	4.56	5.22	5.65
17 - +	4.22	4.59	5.37	6.14	7.03	7.62
* Rate increase to be effective January 1 st of each year						

5.3 Sewer Rate Recommendations

Based on discussion with District staff and careful review of the cost of service analysis, Carollo recommends that the District implement the following rate design recommendations

- *Retain the current rate structure.* Through customer and billing data analysis, the study has found that the current rate structure is reasonable and appropriate. It provides customer equity by assigning EDU's to each customer based on wastewater demand factors, and provides a consistent and predictable source of revenue.
- *Implement Rates on January 1st of each year.* Although water consumption does not affect the monthly sewer charge, implementing during the low water use months is advantageous as the customers overall cost for water and sewer is lower than in the peak months. Additionally, implementing water and sewer rate increases in the same month simplifies procedures required by Proposition 218.
- *Removal of Capital Surcharge for New Users.* As Carollo has developed an updated Ord Sewer Capacity Charge that fully recognizes the value of the existing system (buy-in component), it is no longer necessary or appropriate to capture a Capital Surcharge.

5.3.1 Sewer Rates per EDU

Table 5-7 shows the proposed Marina Sewer rates per EDU for the five-year rate study period through FY 2017/18.

Table 5-7: Marina Sewer - Proposed Sewer Rates

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Rate per EDU	\$10.10	\$11.11	\$12.22	\$13.44	\$14.78

Table 5-8 shows the proposed Ord Sewer rates per EDU for the five-year rate study period through FY 2017/18.

Table 5-8: Ord Sewer - Proposed Sewer Rates

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Rate per EDU	\$26.49	\$27.55	\$28.65	\$29.80	\$32.18

5.4 Fire Meter Service Charges

As part of the suite of services provided by the District, numerous accounts have a water line connection to the District's water system that is specifically for fire protection or has been upsized based on building codes. Fire Service Charges are assessed to private protection meters. Currently, the District charges a uniform rate of \$20 for commercial fire meters. Residential customers that have been upsized to a 1" meter (from a 5/8" or 3/4" meter) pay the existing 1" meter service charge.

The proposed methodology is designed to reflect the design and operation of the water system that is specifically available for fire protection. The recommended charge is based on the diameter of the line that connects their fire protection system to the District's water system. Based on the preliminary cost of service analysis and allocation assumptions, the table below provides the proposed monthly charges. Under this methodology, upsized residential meters would pay the proposed 1" fire meter charge and the proposed 3/4" meter service charge.

Table 5-9: Proposed Monthly Fire Meter Service Charges

Meter Size	Existing	Proposed Marina Water	Proposed Ord Water
1"	\$20.00	\$1.49	\$1.69
1 1/2"	20.00	4.32	4.90
2"	20.00	9.21	10.44
2 1/2"	20.00	16.57	18.78
3"	20.00	26.77	30.34
4"	20.00	57.04	64.65
6"	20.00	165.69	187.79
8"	20.00	353.09	400.18

5.5 Customer Impacts

Before implementing any rate structure recommendations, Carollo worked closely with District staff to evaluate the impact of the proposed rate structure's impact to water and wastewater customers. Proposed revenue increases and the capital funding levels were balanced to mitigate overall impacts to ratepayers.

The following figure (Figure 5-1) demonstrates the impact of the proposed Marina Water and Sewer rates for a single-family resident with a 5/8" or 3/4" meter across various usage levels. The blue portion of the bar represents the customers fixed water charge, while the red represents the commodity or variable portion of the overall water bill. The relative increase in the fixed charge is a direct result of recognizing utility's significant fixed costs and a desire to increase revenue predictability. In addition, as users typically view their utility bill as a single unit, the green bar represents the rate associated with sewer charges.

Figure 5-1 illustrates the relative impact of the proposed Marina Water and Sewer rates for various single-family customers.

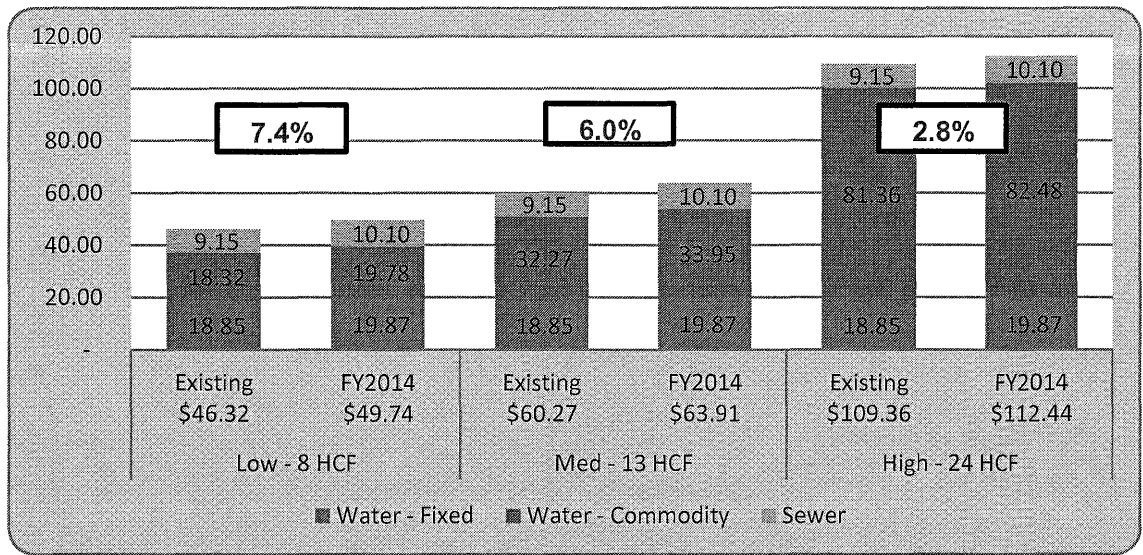


Figure 5-1: Single-Family Residential Customer Impacts – Marina Water & Sewer

Figure 5-2 illustrates the relative impact of the proposed Ord Water and Sewer rates for various single-family customers. The effect of allocating a portion of the revenue requirement to the Customer component is clearly seen this comparison. Water's fixed charge, represented by the blue bars, makes up a significant portion of the proposed impact.

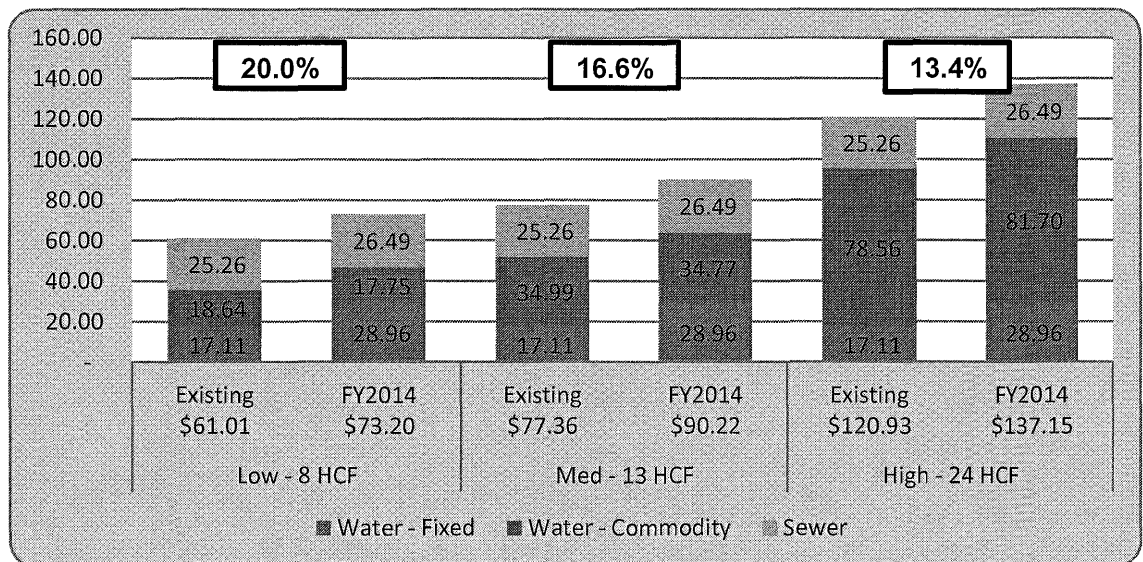


Figure 5-2: Single-Family Residential Customer Impacts – Ord Water & Sewer

5.5.1 Water Rate Comparison

Carollo conducted a water rate survey of nearby utilities. Although utilities are not equal, it is common to examine comparisons between similar or neighboring utilities. Figure 5-3 compares a typical single-family residential user with the current rate structure and the proposed rates against three nearby utilities. In addition to the local comparisons, Carollo details the District's existing rates.

Care should be taken in drawing conclusions from such comparisons as factors including locations, source of supply, customer profiles, age of the system, and various operational and capital related needs vary from agency to agency. A simple example of this is the difference between Marina and Ord rates.

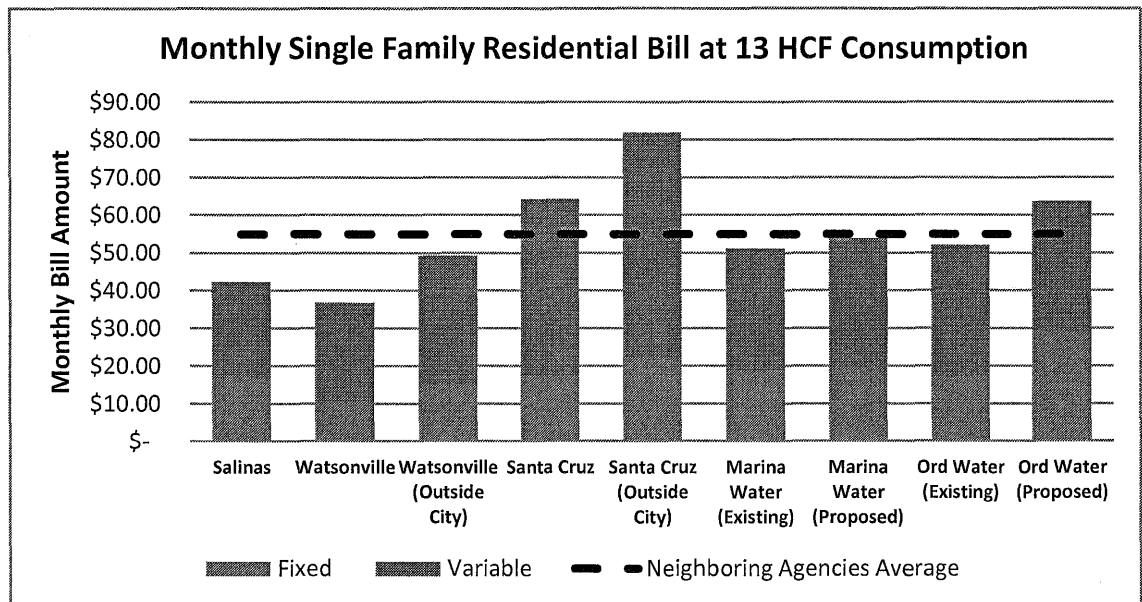


Figure 5-3: Local Rate Comparison Survey

As illustrated, despite the proposed increase to customers, water rates are in line with the average of nearby agencies.

6.0 CAPACITY FEE UPDATE

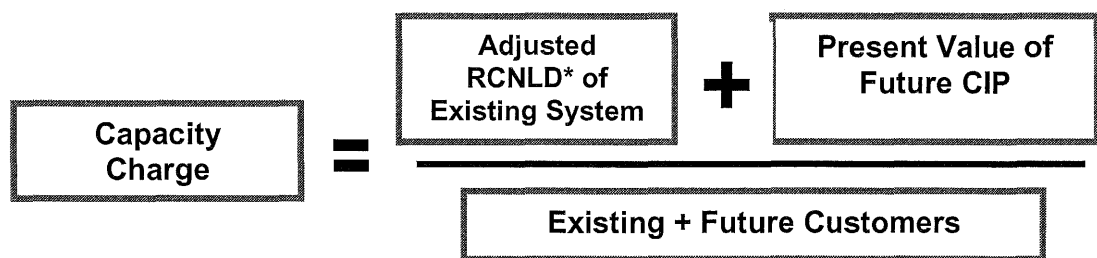
Capacity fees are one-time charges that are assessed when new connections are added to the water or wastewater system, or existing connections are increased in size. The purpose of capacity fees is to ensure that each customer is paying for the amount of system capacity required to service their connection.

Marina Coast Water District currently uses a combined buy-in and future cost approach to calculate capacity fees for each of the four cost centers. In this approach, asset values are calculated based on the current replacement value of the existing system plus the value of planned CIP projects and all other current assets held by each cost center. Net assets are calculated by subtracting all liabilities from the total asset value. The value of net assets is then divided by the total number of EDUs that the system is expected to be able to serve at the end of the CIP period, to determine the system equity per EDU, or capacity charge.

There are two basic components to the District's capacity charge – the "buy-in component" (or existing cost basis); and the "future component" (or future cost basis). For the purposes of this analysis, the term "buy-in component" shall refer to the value of existing system assets (i.e. facilities already in service) that may be recovered through the capacity charge. The term "future component" shall refer to future facilities (i.e., facilities in the CIP) that may be recovered through the capacity charge.

The buy-in component of the capacity charge is based on replacement cost new less depreciation (RCNLD). Outstanding debt principal and monetary reserves are also accounted for in this cost basis. The future component incorporates the present value of the District's CIP. Costs are fairly and reasonably spread over both existing and future users by dividing the total system value by the total number of equivalent meters that are projected to receive water service through 2030.

The methodology for calculating each cost centers capacity charges is illustrated below in Figure 6-1.



*Replacement Cost New Less Depreciation

Figure 6-1: Overview of Capacity Charge Calculation

Capacity charges were developed based on financial information and other data provided by the District. Staff also provided direct guidance on the allocation of assets among each of the four cost centers. Summaries of the capacity fee calculations and the resulting proposed capacity fees for each cost center are shown in tables 6-1 through 6-4. Detailed Capacity charge calculations can be found in Appendix D.

Table 6-1: Marina Water Capacity Fee Calculation

Water System Capacity Charges	Marina Water
RCNLD of Water Infrastructure in Service	\$13,374,123
RCNLD of Other Depreciable Assets	3,197,842
Sub-Total of Adjustments	3,382,972
Total Value of Capital Assets	19,954,937
Total Liability and Asset-Related Adjustments	-10,038,849
Total Value of Existing Assets Net of Liabilities	9,916,088
Infrastructure Related Future CIP Costs	27,514,092
Total Value of Existing and Future Assets	\$37,430,180
Total Number of Meter Equivalents	8,269
Calculated System Capacity Charge	\$4,526

Table 6-2: Marina Water Capacity Fee Calculation

Sewer System Capacity Charges	Marina Sewer
RCNLD of Water Infrastructure in Service	\$13,124,445
RCNLD of Other Depreciable Assets	326,498
Sub-Total of Adjustments	1,004,812
Total Value of Capital Assets	14,455,755
Total Liability and Asset-Related Adjustments	-805,081
Total Value of Existing Assets Net of Liabilities	13,650,674
Infrastructure Related Future CIP Costs	11,423,891
Total Value of Existing and Future Assets	\$25,074,564
Total Number of Meter Equivalents	10,748
Calculated System Capacity Charge	\$2,333

Table 6-3: Ord Water Capacity Fee Calculation

Water System Capacity Charges	Ord Water
RCNLD of Water Infrastructure in Service	\$57,099,474
RCNLD of Other Depreciable Assets	2,206,873
Sub-Total of Adjustments	83,375,806
Total Value of Capital Assets	142,682,153
Total Liability and Asset-Related Adjustments	-7,952,134
Total Value of Existing Assets Net of Liabilities	134,730,020
Infrastructure Related Future CIP Costs	90,693,766
Total Value of Existing and Future Assets	\$225,423,786
Total Number of Meter Equivalents	14,387
Calculated System Capacity Charge	\$15,669

Table 6-4: Ord Sewer Capacity Fee Calculation

Sewer System Capacity Charges	Ord Sewer
RCNLD of Water Infrastructure in Service	\$29,691,490
RCNLD of Other Depreciable Assets	774,317
Sub-Total of Adjustments	28,159,438
Total Value of Capital Assets	58,625,245
Total Liability and Asset-Related Adjustments	-4,161,888
Total Value of Existing Assets Net of Liabilities	54,463,357
Infrastructure Related Future CIP Costs	35,130,846
Total Value of Existing and Future Assets	\$89,594,203
Total Number of Meter Equivalents	11,734
Calculated System Capacity Charge	\$7,636

Table 6.5 presents the system capacity charges over the next five years. To maintain equity and to account for inflation in future years, the capacity charges are escalated in future years based on the long-term Engineering News Record Construction Cost Index of 3.5 percent.

Table 6-5: System Capacity Charge Summary

Description	Existing	FY 2013/ 2014	FY 2014/ 2015	FY 2015/ 2016	FY 2016/ 2017	FY 2017/ 2018
Marina Water	\$5,450	\$4,526	\$4,686	\$4,851	\$5,022	\$5,199
Marina Sewer	3,950	2,333	2,415	2,500	2,588	2,680
Ord Water	5,750	15,669	16,221	16,793	17,385	17,998
Ord Sewer	2,150	7,636	7,906	8,183	8,472	8,771

MARINA COAST WATER DISTRICT – Financial Plan and Rate and Fee Study
APPENDIX A – WASTEWATER DEMAND FACTORS

**Table A-1 Waste Water Demand Factors
Marina Coast Water District
Financial Plan and Rate and Fee Study**

User Classification	Wastewater Demand Factor	Unit
Single-family residence	1.00	
Apartment unit with washer	1.00	
Apartment unit without washer	0.80	
Apartment central laundry facility	0.60	Machine
Mobile home with washer	1.00	
Mobile home without washer	0.80	
Mobile home park central laundry	0.60	Machine
Hotels, motels and rooming houses	0.25	Room
Campground with central facilities	0.20	Space
RV park with individual hookups	0.30	Space
Barber and beauty shops	0.30	Station
Service station with restrooms	2.00	
Service station without restrooms	0.80	
Recreational vehicle dump station	2.00	Station
Auto or truck repair shop	1.00	
Mortuary	0.40	Employee
Bakeries, catering service	0.30	Employee
Restaurants	0.07	Seat
Restaurants, twenty-four-hour, fast food	0.09	Seat
Bars, cardrooms, casinos, taverns	0.10	Seat
Bowling alley	0.10	Alley
Theater (maximum capacity)	0.02	Seat
Laundry or laundromat	0.60	Machine
Dry cleaner employees PLUS	0.10	Employee
Dry cleaner machines	1.00	Machine
Fire station	0.20	Employee
Offices (attorney; accountant; realtor; etc.)	0.10	Employee
Dentist	0.50	Operatory
Doctor office or clinic	1.00	Office or MD
Dry goods retail store	0.10	Employee
Commercial swimming pool	2.50	Pool
Car wash	3.00	Stall
Food markets	0.10	Employee
Public buildings	0.10	Employee
School	0.07	Enrollment
Meeting hall; Church	0.01	Seat
Fairgrounds complex	4.00	
Restroom buildings	1.00	Toilet
Hospital	0.80	Bed
Convalescent or nursing home	0.50	Bed
Industrial waste	45.00	
Minimum demand for all classifications	0.80	Account

**Table B-1 Marina Water Proposed CIP
Marina Coast Water District
Financial Plan and Rate and Fee Study**

CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
MW-0204	Edna Court Water Main Replacement	\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000	€
MW-0200	Wharf Hydrant Replacement	30,000	0	0	0	0	0	0	30,000	€
MW-0203	Well 11 Pump Replacement	155,000	0	0	0	0	0	0	155,000	€
MW-0111	Beach Road Pipeline	0	0	74,679	100,000	0	0	340,000	514,679	€
MW-0163	Repair & Recoat Reservoir 2	0	0	0	0	450,000	0	0	450,000	€
MW-0109	Lake Court Waterline Extension	0	0	0	0	0	0	435,468	435,468	δ δ
MW-0201	Salinas Ave Pipeline Extension	0	0	0	0	0	0	395,665	395,665	€
MW-0202	Reservoir 2 Demolition	0	0	0	0	0	0	703,644	703,644	€
SPLIT OF GENERAL WATER (GW) COST CENTER PROJECTS - SHARE ASSIGNED TO MARINA WATER (MW) = 37%										
CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
GW-0212	Potable Water Tank Compliance Project	\$0	\$39,140	\$0	\$0	\$0	\$41,132	\$0	\$80,272	€
GW-0112	A1 & A2 Zone Tanks & B/C Booster Station	48,470	116,814	1,335,870	1,219,565	0	0	1,349,182	4,069,901	δ δ , €
GW-0300	Marina & Ord Water Master Plan	0	92,500	0	0	0	0	0	92,500	€
GW-0123	"B2" Zone Tank @ CSUMB	0	0	0	0	0	0	952,702	952,702	δ δ
GW-0210	Reservoir A3 (1.6 MG)	0	0	0	0	0	0	1,283,619	1,283,619	δ δ
GW-0231	Install Well 37 - Retire well 12	0	0	0	0	0	0	2,313,061	2,313,061	€
GW-0232	Install Well 38 - Retire well 10	0	0	0	0	0	0	2,313,061	2,313,061	€
GW-0233	A-BPS at ASP Bldg + Forebay Tank	0	0	0	0	0	0	616,248	616,248	€
GW-0234	Install Well 39 - Retire Well 30	0	0	0	0	0	0	2,313,061	2,313,061	€
GW-0235	B-BPS Expansion and Transmission to A1/A2 Tanks	0	0	0	0	0	0	4,841,096	4,841,096	€
GW-0236	Install Well 40 - Retire Well 11	0	0	0	0	0	0	2,313,061	2,313,061	€
GW-0237	Install Well 41 - Retire Well 31	0	0	0	0	0	0	2,313,061	2,313,061	€
SPLIT OF WATER DISTRICT (WD) COST CENTER PROJECTS - SHARE ASSIGNED TO MARINA WATER (MW) = 30%										
CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
WD-0203	MCWD Fort Ord Office Landscape Project	\$0	\$6,355	\$0	\$0	\$0	\$0	\$0	\$6,355	€
WD-0115	SCADA System Improvements - Phase I	296,016	41,850	42,687	43,541	44,412	0	0	468,505	€

**Table B-1 Marina Water Proposed CIP
Marina Coast Water District
Financial Plan and Rate and Fee Study**

CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
WD-0300	Long-Term Facilities Planning	0	45,000	0	0	0	0	0	45,000	ε
WD-0202	IOP Building E (BLM)	23,800	242,200	630,000	0	0	0	0	896,000	δ
WD-0106	Corp Yard Demolition & Rehab	0	0	0	36,000	135,000	0	0	171,000	ε
WD-0110	Asset Management Program - Phase II	0	0	0	75,000	0	0	0	75,000	ε
WD-0110A	Asset Management Program -- Phase III	0	0	0	0	75,000	0	0	75,000	ε
WD-0115A	SCADA System Improvements (Security + RD integration)	0	0	0	0	90,000	0	0	90,000	ε

**Table B-2 Marina Sewer Proposed CIP
Marina Coast Water District
Financial Plan and Rate and Fee Study**

CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
MS-0133	Replace Lift Station No. 5	\$17,150	\$487,477	\$0	\$0	\$0	\$0	\$0	\$504,627	ε
MS-0206	Reservation Road Siphon	177,510	602,000	0	0	0	0	0	779,510	ε
MS-0143	Lift Station No. 6 Replacement	0	0	0	0	401,576	0	0	401,576	ε
MS-0138	Hillcrest Ave/Sunset Ave Sewer Main Imp. Project	0	0	0	0	50,889	299,905	0	350,794	ε
MS-0141	Reservation Rd from Nicklas Lane to Crescent Ave.	0	0	0	0	75,017	442,101	0	517,118	ε
MS-0172	Reservation Rd from Crescent to Seacrest	0	0	0	0	82,121	483,965	0	566,086	ε
MS-0202	Carmel Ave Sewer Main Imp Project	0	0	0	0	55,748	328,543	0	384,291	ε
MS-0203	Abdy Way & Paul Davis Dr Sewer Main Imps Project	0	0	0	0	0	465,477	0	465,477	δ
MS-0205	Del Monte/Reservation Road Sewer Main Imp. Project I	0	0	0	0	0	201,762	0	201,762	δ δ
MS-0137	Del Monte/Reservation Road Sewer Main Imp. Project II	0	0	0	0	0	351,399	0	351,399	δ δ
MS-0201	Armstrong Ranch Sewer Improvements	0	0	0	0	0	0	5,428,589	5,428,589	δ δ , ε
MS-0207	Marina WWTP Demolition	0	0	0	0	0	0	883,265	883,265	ε
SPLIT OF GENERAL SEWER (GS) COST CENTER PROJECTS - SHARE ASSIGNED TO MARINA SEWER (MS) = 40%										
CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
GS-0300	Marina & Ord Wastewater Master Plan	\$0	\$120,000	\$0	\$0	\$0	\$0	\$0	\$120,000	ε
GS-0200	Odor Control Project	0	0	0	60,000	0	0	0	60,000	ε
GS-0201	Del Monte/Reservation Road Sewer Main Improvements	0	0	0	0	134,984	0	0	134,984	ε
SPLIT OF WATER DISTRICT (WD) COST CENTER PROJECTS - SHARE ASSIGNED TO MARINA SEWER (MS) = 9%										
CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
WD-0203	MCWD Fort Ord Office Landscape Project	\$0	\$1,435	\$0	\$0	\$0	\$0	\$0	\$1,435	ε
WD-0115	SCADA System Improvements - Phase I	66,842	9,450	9,639	9,832	10,028	0	0	105,791	ε
WD-0300	Long-Term Facilities Planning	0	13,500	0	0	0	0	0	13,500	ε
WD-0202	IOP Building E (BLM)	6,800	69,200	180,000	0	0	0	0	256,000	δ
WD-0106	Corp Yard Demolition & Rehab	0	0	0	10,800	40,500	0	0	51,300	ε
WD-0110	Asset Management Program - Phase II	0	0	0	22,500	0	0	0	22,500	ε
WD-0110A	Asset Management Program -- Phase III	0	0	0	0	22,500	0	0	22,500	ε
WD-0115A	SCADA System Improvements (Security + RD integration)	0	0	0	0	27,000	0	0	27,000	ε

**Table B-3 Ord Water Proposed CIP
Marina Coast Water District
Financial Plan and Rate and Fee Study**

CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT		CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS	TOTAL	
OW-0169	Intergarrison Road PRV	\$197,000	\$0	\$0	\$0	\$0	\$0	\$0	\$197,000	
OW-0170	Well 34 (deep aquifer at Well 32 site)	1,772,320	0	0	0	0	0	0	1,772,320	
OW-0116	Eastern Distribution System - Watkins Gate Well/Distribution Pipe	4,870,019	0	0	0	0	0	0	4,870,019	
OW-0119	Demolish D-zone Reservoir	0	0	17,340	156,060	0	0	0	173,400	€
OW-0223	Well 30 Pump Replacement	0	210,000	0	0	0	0	0	210,000	€
OW-0201	Gigling Transmission from D Booster to JM Blvd	0	1,800	439,200	0	0	0	0	441,000	€
OW-0206	Inter-Garrison Road Pipeline Up-Sizing	0	0	165,485	526,639	0	0	0	692,124	€
OW-0128	Lightfighter "B" Zone Pipeline Extension	0	0	314,586	0	0	78,647	0	393,233	δ δ
OW-0211	Eastside Parkway (D-Zone pipeline)	0	0	415,632	2,498,444	0	0	0	2,914,076	δ δ
OW-0202	South Boundary Road Pipeline	0	0	412,218	1,261,387	0	0	0	1,673,605	δ δ
OW-0230	Wellfield Main 2B - Well 31 to Well 34	0	0	161,194	493,253	0	0	0	654,447	€
OW-0129	Rehabilitate Well 31	0	0	0	1,707,438	0	0	0	1,707,438	€
OW-0127	CSUMB Pipeline Up-Sizing - Commercial Fireflow	0	0	0	38,311	117,231	0	0	155,542	€
OW-0203	7th Avenue and Gigling Rd	0	0	0	61,990	189,689	0	0	251,679	€
OW-0122	Replace D & E Reservoir Off-Site Piping	0	0	0	0	0	996,467	0	996,467	€
OW-0167	2nd Ave extension to Gigling Rd	0	0	0	0	0	267,053	0	267,053	€
OW-0118	"B4" Zone Tank @ East Garrison	0	0	0	0	0	0	3,116,949	3,116,949	δ
OW-0212	Reservoir "D2" + D-BPS Up-Size	0	0	0	0	0	0	3,997,826	3,997,826	δ δ , €
OW-0208	Pipeline Up-Sizing - to Stockade	0	0	0	0	0	0	709,391	709,391	δ
OW-0209	Pipeline Up-Sizing - between Dunes & MainGate	0	0	0	0	0	0	220,050	220,050	δ δ
OW-0210	Sand Tank Demolition	0	0	0	0	0	0	542,078	542,078	€
OW-0204	2nd Ave Connection, Reindollar to Imjin Pkwy	0	0	0	0	0	0	1,214,489	1,214,489	€
OW-0164	Imjin Parkway Pipeline, Reservation Rd to Abrams Drive	0	0	0	0	0	0	513,619	513,619	€
OW-0214	Imjin Road, 8th St. to Imjin Pkwy	0	0	0	0	0	0	1,104,081	1,104,081	€
OW-0121	"C2" to "B4" Pipeline and PRV Station	0	0	0	0	0	0	1,409,403	1,409,403	δ
OW-0171	Eucalyptus Rd Pipeline	0	0	0	0	0	0	2,351,264	2,351,264	δ δ
OW-0213	Reservoir B4/B5 to East Garrison Pipeline	0	0	0	0	0	0	257,487	257,487	δ
OW-0216	UCMBEST Pipeline	0	0	0	0	0	0	402,493	402,493	δ
OW-0217	Reservation Road, Imjin to MBEST Drive	0	0	0	0	0	0	539,368	539,368	δ δ
OW-0218	Golf Boulevard Transmission Line	0	0	0	0	0	0	1,104,081	1,104,081	δ δ
OW-0219	"B5" Zone Tank @ East Garrison	0	0	0	0	0	0	3,116,949	3,116,949	δ
OW-0231	Wellfield Main 3A - Intergarrison to ASP Bldg	0	0	0	0	0	0	3,541,126	3,541,126	€

**Table B-3 Ord Water Proposed CIP
Marina Coast Water District
Financial Plan and Rate and Fee Study**

CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT		CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS	TOTAL	
OW-0232A	Install Well 36 - Retire Well 29	0	0	0	0	0	0	2,515,243	2,515,243	ε
OW-0232B	Wellfield Main 1B - between Wells 36 and 35	0	0	0	0	0	0	3,169,802	3,169,802	ε
OW-0233	Wellfield Main 1C (Parallel) - between Wells 36 and ASP Bldg	0	0	0	0	0	0	3,736,274	3,736,274	δ δ
OW-0234	B-BPS at ASP Bldg	0	0	0	0	0	0	1,355,195	1,355,195	δ δ
OW-0235	Ord Well-head Disinfection	0	0	0	0	0	0	2,710,391	2,710,391	δ δ
SPLIT OF GENERAL WATER (GW) COST CENTER PROJECTS - SHARE ASSIGNED TO ORD WATER (OW) = 63%										
CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT		CATEGORY
		YEARS	Proposed Year	Planned	Planned	Planned	Planned	YEARS	TOTAL	
GW-0212	Potable Water Tank Compliance Project	\$0	\$63,860	\$0	\$0	\$0	\$67,111	\$0	\$130,971	ε
GW-0112	A1 & A2 Zone Tanks & B/C Booster Station	82,530	198,900	2,274,589	2,076,557	0	0	2,297,256	6,929,832	δ δ , ε
GW-0300	Marina & Ord Water Master Plan	0	157,500	0	0	0	0	0	157,500	ε
GW-0123	"B2" Zone Tank @ CSUMB	0	0	0	0	0	0	1,622,169	1,622,169	δ δ
GW-0210	Reservoir A3 (1.6 MG)	0	0	0	0	0	0	2,185,621	2,185,621	δ δ
GW-0231	Install Well 37 - Retire well 12	0	0	0	0	0	0	3,938,455	3,938,455	ε
GW-0232	Install Well 38 - Retire well 10	0	0	0	0	0	0	3,938,455	3,938,455	ε
GW-0233	A-BPS at ASP Bldg + Forebay Tank	0	0	0	0	0	0	1,049,287	1,049,287	ε
GW-0234	Install Well 39 - Retire Well 30	0	0	0	0	0	0	3,938,455	3,938,455	ε
GW-0235	B-BPS Expansion and Transmission to A1/A2 Tanks	0	0	0	0	0	0	8,242,947	8,242,947	ε
GW-0236	Install Well 40 - Retire Well 11	0	0	0	0	0	0	3,938,455	3,938,455	ε
GW-0237	Install Well 41 - Retire Well 31	0	0	0	0	0	0	3,938,455	3,938,455	ε
SPLIT OF WATER DISTRICT (WD) COST CENTER PROJECTS - SHARE ASSIGNED TO ORD WATER (OW) = 50%										
CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT		CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS	TOTAL	
WD-0203	MCWD Fort Ord Office Landscape Project	\$0	\$10,455	\$0	\$0	\$0	\$0	\$0	\$10,455	ε
WD-0115	SCADA System Improvements - Phase I	486,994	68,850	70,227	71,632	73,064	0	0	770,767	ε
WD-0300	Long-Term Facilities Planning	0	75,000	0	0	0	0	0	75,000	ε
WD-0202	IOP Building E (BLM)	42,500	432,500	1,125,000	0	0	0	0	1,600,000	δ
WD-0106	Corp Yard Demolition & Rehab	0	0	0	60,000	225,000	0	0	285,000	ε
WD-0110	Asset Management Program - Phase II	0	0	0	125,000	0	0	0	125,000	ε
WD-0110A	Asset Management Program -- Phase III	0	0	0	0	125,000	0	0	125,000	ε
WD-0115A	SCADA System Improvements (Security + RD integration)	0	0	0	0	150,000	0	0	150,000	ε

**Table B-4 Ord Sewer Proposed CIP
Marina Coast Water District
Financial Plan and Rate and Fee Study**

CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
OS-0200	Clark Lift Station Improvement	\$14,610	\$403,975	\$0	\$0	\$0	\$0	\$0	\$418,585	ε
OS-0150	East Garrison Lift Station Improvements	588,620	0	0	0	0	259,135	0	847,755	ε
OS-0205	Imjin LS & Force Main Improvements - Phase I	0	28,000	530,000	0	0	0	558,000	δ δ	
OS-0154	Del Rey Oaks - Collection System Planning	0	0	61,200	0	0	0	0	61,200	δ
OS-0208	Parker Flats Collection System	0	0	25,500	78,030	0	0	0	103,530	δ δ
OS-0214	Intergarrison/8th Ave SS (for Eastside Pkwy developments)	0	0	255,000	780,300	0	0	0	1,035,300	δ δ
OS-0153	Misc. Lift Station Improvements	0	0	561,000	936,360	0	0	0	1,497,360	ε
OS-0152	Booker, Hatten, Neeson LS Improvements Project	0	0	102,000	624,240	0	0	0	726,240	ε
OS-0202	SCSD Sewer Improvements - DRO	0	0	0	502,454	1,537,510	0	0	2,039,964	δ
OS-0203	Gigling LS and FM Improvements	0	0	0	497,803	1,523,276	0	0	2,021,079	ε
OS-0147	Ord Village Sewer Pipeline & Lift Station Impr Project	0	0	0	0	562,651	0	0	562,651	ε
OS-0209	Imjin LS & Force Main Improvements -- Phase II	0	0	0	0	55,612	677,811	0	733,423	ε
OS-0204	CSUMB Developments	0	0	0	0	0	608,899	0	608,899	δ
OS-0207	Seaside Resort Sewer Imps. Project	0	0	0	0	0	326,146	0	326,146	δ
OS-0148	Marina Heights Sewer Pipeline Improvements Project	0	0	0	0	0	825,863	0	825,863	δ δ
OS-0149	Dunes Sewer Pipeline Replacement Projects	0	0	0	0	0	461,923	0	461,923	δ δ
OS-0151	Cypress Knolls Sewer Pipeline Improvements Project	0	0	0	0	0	97,424	0	97,424	δ
OS-0215	Demolish Ord Main Garrison WWTP	0	0	0	0	0	1,623,648	0	1,623,648	ε
OS-0206	Fitch Park Sewer Improvements	0	0	0	0	0	0	127,071	127,071	δ
OS-0210	1st Ave Sewer Pipeline Replacement Project	0	0	0	0	0	0	408,340	408,340	δ δ
OS-0211	Gen'l Jim Moore Sewer Pipeline Replacement Project	0	0	0	0	0	0	49,972	49,972	δ δ
OS-0212	Gen'l Jim Moore Sewer Pipeline Replacement Project III	0	0	0	0	0	0	187,037	187,037	δ δ
OS-0213	MRWPCA Buy-In	0	0	0	0	0	0	11,040,808	11,040,808	δ δ
OS-0216	SCSD Sewer Improvements - Seaside East	0	0	0	0	0	0	6,480,709	6,480,709	δ
OS-0217	SCSD Sewer Improvements - City of Monterey	0	0	0	0	0	0	1,444,854	1,444,854	δ
SPLIT OF GENERAL SEWER (GS) COST CENTER PROJECTS - SHARE ASSIGNED TO ORD SEWER (OS) = 60%										
CIP No.	PROJECT DESCRIPTION	Previous	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	OUT	TOTAL	CATEGORY
		YEARS	Current Year	Proposed	Proposed	Proposed	Proposed	YEARS		
GS-0300	Marina & Ord Wastewater Master Plan	\$0	\$120,000	\$0	\$0	\$0	\$0	\$0	\$120,000	ε
GS-0200	Odor Control Project	0	0	0	60,000	0	0	0	60,000	ε
GS-0201	Del Monte/Reservation Road Sewer Main Improvements	0	0	0	0	134,984	0	0	134,984	ε

**Table B-4 Ord Sewer Proposed CIP
Marina Coast Water District
Financial Plan and Rate and Fee Study**

CIP No.	PROJECT DESCRIPTION	Previous YEARS	FYE 2014 Current Year	FYE 2015 Proposed	FYE 2016 Proposed	FYE 2017 Proposed	FYE 2018 Proposed	OUT YEARS	TOTAL	CATEGORY
SPLIT OF WATER DISTRICT (WD) COST CENTER PROJECTS - SHARE ASSIGNED TO ORD SEWER (OS) = 11%										
CIP No.	PROJECT DESCRIPTION	Previous YEARS	FYE 2014 Current Year	FYE 2015 Proposed	FYE 2016 Proposed	FYE 2017 Proposed	FYE 2018 Proposed	OUT YEARS	TOTAL	CATEGORY
WD-0203	MCWD Fort Ord Office Landscape Project	\$0	\$2,255	\$0	\$0	\$0	\$0	\$0	\$2,255	ε
WD-0115	SCADA System Improvements - Phase I	105,038	14,850	15,147	15,450	15,759	0	0	166,244	ε
WD-0300	Long-Term Facilities Planning	0	16,500	0	0	0	0	0	16,500	ε
WD-0202	IOP Building E (BLM)	11,900	121,100	315,000	0	0	0	0	448,000	δ
WD-0106	Corp Yard Demolition & Rehab	0	0	0	13,200	49,500	0	0	62,700	ε
WD-0110	Asset Management Program - Phase II	0	0	0	27,500	0	0	0	27,500	ε
WD-0110A	Asset Management Program -- Phase III	0	0	0	0	27,500	0	0	27,500	ε
WD-0115A	SCADA System Improvements (Security + RD integration)	0	0	0	0	33,000	0	0	33,000	ε

MARINA COAST WATER DISTRICT – Financial Plan and Rate and Fee Study
APPENDIX C – RESULTS OF REVENUE REQUIREMENTS ANALYSIS

Table C-1

Marina Water: Revenue Requirements Summary
Marina Coast Water District
Financial Plan and Rate and Fee Study

Ref	Description	FY 2013/ 2014	FY 2014/ 2015	FY 2015/ 2016	FY 2016/ 2017	FY 2017/ 2018
Revenues(1)						
1	Proposed Revenue Increase	3.0%	3.0%	3.0%	3.0%	3.0%
2	User Charges	\$3,973,453	\$4,118,137	\$4,313,328	\$4,517,771	\$4,731,905
3	Licenses and Permits	3,090	3,183	3,278	3,377	3,478
4	Other Revenues	53,732	54,067	54,980	55,909	56,853
5	Capacity Related	20,125	20,250	20,592	20,940	21,293
6	Income from Prop & Investments	0	0	0	0	0
7	Defd Revenue	3,450	3,450	3,450	3,450	3,450
8	Other Revenue Sources	9,270	9,548	9,835	10,130	10,433
9	Total Revenues	\$4,063,120	\$4,208,634	\$4,405,463	\$4,611,576	\$4,827,413
Requirements						
10	Admin	\$716,437	\$737,930	\$760,068	\$782,870	\$806,356
11	Operating and Maintenance	1,065,496	1,100,032	1,140,261	1,182,037	1,225,420
12	Laboratory	115,313	119,082	123,525	128,143	132,942
13	Conservation	132,083	136,046	140,127	144,331	148,661
14	Engineering	302,796	312,456	323,449	334,848	346,669
15	Debt Service	890,631	896,092	865,604	878,258	891,779
16	Rate Funded Capital (PAYGO)	0	0	0	0	0
17	Senior Debt Coverage (2)	210,563	215,192	204,627	209,286	213,886
18	Junior Debt Coverage (2)	56,531	56,251	56,191	56,059	56,135
19	Total Requirements	\$3,489,850	\$3,573,081	\$3,613,854	\$3,715,832	\$3,821,849
20	Revenues - Requirements	\$573,270	\$635,554	\$791,609	\$895,744	\$1,005,564
21	Senior Debt Coverage Factor	2.91 x	2.97 x	3.32 x	3.45 x	3.58 x
22	Junior Debt Coverage Factor	3.32 x	3.53 x	4.09 x	4.47 x	4.86 x
Accumulated Funds						
23	Operating Fund Ending Balance	\$1,589,304	\$1,628,205	\$1,653,552	\$1,701,610	\$1,751,586
24	Days of Operating Expenditures	180 Days	180 Days	180 Days	180 Days	180 Days
25	Capital Expenditures (3)	\$604,294	\$2,231,614	\$1,634,368	\$911,606	\$593,843
26	Capital Fund Ending Balance (4)	6,178,698	4,876,968	4,318,450	4,563,060	5,240,456
27	Consolidated Funds	\$7,768,003	\$6,505,172	\$5,972,002	\$6,264,669	\$6,992,042

Notes:

- (1) All user rate based revenues are post rate increase.
(2) Note that debt coverage is calculated assuming policy based coverage factor requirements on 1.35 x (senior debt) and 1.2 x (junior debt).
(3) Capital Expenditures Based on Proposed CIP
(4) Note that bonds which are each issued to cover CIP costs are shown as being deposited into the Capital Fund.

Table C-2

Marina Sewer: Revenue Requirements Summary
Marina Coast Water District
Financial Plan and Rate and Fee Study

Ref	Description	FY 2013/ 2014	FY 2014/ 2015	FY 2015/ 2016	FY 2016/ 2017	FY 2017/ 2018
Revenues⁽¹⁾						
1	Proposed Revenue Increase	10.0%	10.0%	10.0%	10.0%	10.0%
2	User Charges	\$842,087	\$932,063	\$1,042,588	\$1,166,218	\$1,304,509
3	Licenses and Permits	2,591	2,684	2,810	2,942	3,080
4	Other Revenues	0	0	0	0	0
5	Capacity Related	10,062	10,125	10,296	10,470	10,647
6	Income from Prop & Investments	0	0	0	0	0
7	Defd Revenue	1,900	1,900	1,900	1,900	1,900
8	Other Revenue Sources	515	530	546	563	580
9	Total Revenues	\$857,155	\$947,303	\$1,058,140	\$1,182,093	\$1,320,715
Requirements						
10	Admin	\$227,187	\$234,003	\$241,023	\$248,253	\$255,701
11	Operating and Maintenance	325,882	336,088	347,379	359,066	371,163
12	Laboratory	0	0	0	0	0
13	Conservation	0	0	0	0	0
14	Engineering	67,919	69,963	72,082	74,264	76,514
15	Debt Service	256,568	253,802	247,853	340,046	426,415
16	Rate Funded Capital (PAYGO)	38,607	38,607	36,763	0	0
17	Senior Debt Coverage ⁽²⁾	60,579	60,313	58,304	90,684	120,922
18	Junior Debt Coverage ⁽²⁾	16,400	16,296	16,254	16,190	16,185
19	Total Requirements	\$993,141	\$1,009,072	\$1,019,658	\$1,128,504	\$1,266,900
20	Revenues - Requirements	-\$135,986	-\$61,769	\$38,483	\$53,589	\$53,815
21	Senior Debt Coverage Factor	1.42 x	1.84 x	2.45 x	1.97 x	1.82 x
22	Junior Debt Coverage Factor	0.15 x	1.04 x	2.25 x	1.99 x	2.00 x
Accumulated Funds						
23	Operating Fund Ending Balance	\$320,066	\$334,906	\$447,947	\$503,818	\$557,158
24	Days of Operating Expenditures	133 Days	137 Days	180 Days	180 Days	180 Days
25	Capital Expenditures ⁽³⁾	\$0	\$0	\$1,844	\$1,650,580	\$1,650,580
26	Capital Fund Ending Balance ⁽⁴⁾	982,104	991,925	1,000,000	1,104,591	1,137,581
27	Consolidated Funds	\$1,302,170	\$1,326,831	\$1,447,947	\$1,608,409	\$1,694,739

Notes:

- (1) All user rate based revenues are post rate increase.
(2) Note that debt coverage is calculated assuming policy based coverage factor requirements on 1.35 x (senior debt) and 1.2 x (junior debt).
(3) Conservative estimate of the maximum amount of capital funding available based on funding with both debt and available cash.
(4) Note that bonds which are each issued to cover CIP costs are shown as being deposited into the Capital Fund.

**Table C-3 Ord Water: Revenue Requirements Summary
Marina Coast Water District
Financial Plan and Rate and Fee Study**

Ref	Description	FY 2013/ 2014	FY 2014/ 2015	FY 2015/ 2016	FY 2016/ 2017	FY 2017/ 2018
Revenues(1)						
1	Proposed Revenue Increase	10.0%	10.0%	10.0%	10.0%	4.0%
2	User Charges	\$5,713,636	\$6,682,913	\$7,649,893	\$8,759,296	\$9,745,728
3	Licenses and Permits	5,150	5,305	5,464	5,628	5,796
4	Other Revenues	58,676	63,141	66,189	69,383	72,732
5	Capacity Related	139,894	150,541	157,807	165,423	173,407
6	Income from Prop & Investments	0	0	0	0	0
7	Defd Revenue	19,880	19,880	19,880	19,880	19,880
8	Other Revenue Sources	515	530	546	563	580
9	Total Revenues	\$5,937,751	\$6,922,311	\$7,899,779	\$9,020,174	\$10,018,123
Requirements						
10	Admin	\$1,542,384	\$1,624,611	\$1,698,570	\$1,776,721	\$1,859,344
11	Operating and Maintenance	1,723,877	1,844,318	1,947,853	2,058,266	2,176,060
12	Laboratory	207,983	221,610	233,441	246,032	259,438
13	Conservation	143,973	148,293	152,741	157,324	162,043
14	Engineering	419,493	437,550	454,515	472,289	490,920
15	Debt Service	1,741,631	1,849,263	1,952,635	2,707,352	3,463,182
16	Rate Funded Capital (PAYGO)	915,000	1,006,500	0	0	0
17	Senior Debt Coverage ⁽²⁾	48,694	174,112	316,205	1,076,091	1,835,977
18	Junior Debt Coverage ⁽²⁾	144,425	130,425	115,925	100,825	85,125
19	Total Requirements	\$6,887,461	\$7,436,682	\$6,871,885	\$8,594,899	\$10,332,090
20	Revenues - Requirements	-\$949,710	-\$514,371	\$1,027,894	\$425,275	-\$313,967
21	Senior Debt Coverage Factor	1.65 x	2.06 x	2.45 x	2.02 x	1.77 x
22	Junior Debt Coverage Factor	0.75 x	1.96 x	3.24 x	3.01 x	2.50 x
Accumulated Funds						
23	Operating Fund Ending Balance	\$488,397	\$278,563	\$1,738,586	\$3,340,777	\$4,147,884
24	Days of Operating Expenditures	31 Days	17 Days	99 Days	164 Days	180 Days
25	Capital Expenditures ⁽³⁾	\$2,217,359	\$2,217,359	\$2,217,359	\$12,628,080	\$12,628,080
26	Capital Fund Ending Balance ⁽⁴⁾	1,000,000	1,000,000	1,000,000	1,000,000	1,800,029
27	Consolidated Funds	\$1,488,397	\$1,278,563	\$2,738,586	\$4,340,777	\$5,947,913

Notes:

- (1) All user rate based revenues are post rate increase.
- (2) Note that debt coverage is calculated assuming policy based coverage factor requirements on 1.35 x (senior debt) and 1.2 x (junior debt).
- (3) Conservative estimate of the maximum amount of capital funding available based on funding with both debt and available cash.
- (4) Note that bonds which are each issued to cover CIP costs are shown as being deposited into the Capital Fund.

Table C-4

**Ord Sewer: Revenue Requirements Summary
Marina Coast Water District
Financial Plan and Rate and Fee Study**

Ref	Description	FY 2013/ 2014	FY 2014/ 2015	FY 2015/ 2016	FY 2016/ 2017	FY 2017/ 2018
Revenues(1)						
1	Proposed Revenue Increase	4.0%	4.0%	4.0%	4.0%	8.0%
2	User Charges	\$1,858,904	\$2,080,399	\$2,268,039	\$2,472,603	\$2,748,472
3	Licenses and Permits	5,531	6,117	6,596	7,112	7,669
4	Other Revenues	0	0	0	0	0
5	Capacity Related	23,674	25,476	26,706	27,995	29,346
6	Income from Prop & Investments	0	0	0	0	0
7	Defd Revenue	7,800	7,800	7,800	7,800	7,800
8	Other Revenue Sources	773	796	820	844	869
9	Total Revenues	\$1,896,681	\$2,120,589	\$2,309,961	\$2,516,354	\$2,794,156
Requirements						
10	Admin	\$266,146	\$274,130	\$282,354	\$290,825	\$299,549
11	Operating and Maintenance	430,568	458,414	482,638	508,408	535,835
12	Laboratory	0	0	0	0	0
13	Conservation	0	0	0	0	0
14	Engineering	99,287	103,792	107,976	112,369	116,984
15	Debt Service	801,765	938,535	1,098,799	1,233,901	1,363,584
16	Rate Funded Capital (PAYGO)	0	0	0	0	0
17	Senior Debt Coverage ⁽²⁾	234,307	282,921	338,660	385,638	430,521
18	Junior Debt Coverage ⁽²⁾	25,954	26,038	26,240	26,416	26,705
19	Total Requirements	\$1,858,026	\$2,083,830	\$2,336,666	\$2,557,557	\$2,773,178
20	Revenues - Requirements	\$38,655	\$36,759	-\$26,706	-\$41,203	\$20,979
21	Senior Debt Coverage Factor	1.68 x	1.62 x	1.51 x	1.48 x	1.52 x
22	Junior Debt Coverage Factor	1.70 x	1.68 x	1.20 x	1.10 x	1.58 x
Accumulated Funds						
23	Operating Fund Ending Balance	\$787,939	\$875,279	\$972,378	\$1,058,056	\$1,142,113
24	Days of Operating Expenditures	180 Days	180 Days	180 Days	180 Days	180 Days
25	Capital Expenditures ⁽³⁾	\$2,551,025	\$2,551,025	\$2,551,025	\$1,774,095	\$1,774,095
26	Capital Fund Ending Balance ⁽⁴⁾	1,098,274	1,258,378	1,241,095	1,285,173	1,394,147
27	Consolidated Funds	\$1,886,213	\$2,133,657	\$2,213,473	\$2,343,229	\$2,536,260

Notes:

- (1) All user rate based revenues are post rate increase.
- (2) Note that debt coverage is calculated assuming policy based coverage factor requirements on 1.35 x (senior debt) and 1.2 x (junior debt).
- (3) Conservative estimate of the maximum amount of capital funding available based on funding with both debt and available cash.
- (4) Note that bonds which are each issued to cover CIP costs are shown as being deposited into the Capital Fund.

MARINA COAST WATER DISTRICT – Financial Plan and Rate and Fee Study
APPENDIX D – DETAILED CAPACITY CHARGE CALCULATIONS

MCWD - Capacity Charge Calculations

2013

	Marina Water	Ord Water
System Capacity Charge		
Existing Cost Basis		
Value of Water Infrastructure in Service		
1 Total Replacement Cost of Existing System Infrastructure	\$ 28,018,200	\$ 119,943,500
2 Less Accumulated Depreciation on Existing Infrastructure Assets	(14,644,077)	(62,844,026)
3 RCNLD of Water Infrastructure in Service (sum of 1 to 2)	\$ 13,374,123	\$ 57,099,474
Value of Other Depreciable Assets		
4 Total Value of Water/Sewer Rights Assets	\$ 2,379,410	\$ -
5 Less Accumulated Depreciation on Water/Sewer Rights Assets	(308,062)	-
6 Total Value of Building and Improvements Assets	1,303,118	1,985,062
7 Less Accumulated Depreciation on Building and Improvements Assets	(369,265)	(184,589)
8 Total Value of Equipment Assets	1,271,176	945,542
9 Less Accumulated Depreciation on Equipment Assets	(1,078,535)	(539,142)
10 RCNLD of Other Depreciable Assets (sum of 4 to 9)	\$ 3,197,842	\$ 2,206,873
Value of Non-depreciable Assets		
11 Land	\$ 3,163,765	\$ 4,344,818
12 Property Easement	-	14,100,000
13 Water/Sewer Rights	-	57,450,000
14 Construction in Progress	219,207	7,480,988
15 Sub-Total of Adjustments (sum of 11 to 14)	\$ 3,382,972	\$ 83,375,806
16 Total Value of Capital Assets (3+10+15)	\$ 19,954,937	\$ 142,682,153
Liability and Asset Related Adjustments		
17 Outstanding Debt for Infrastructure (2006 and 2010 Bonds)	\$ (18,825,395)	\$ (16,398,665)
18 Other Long-term Debt	(14,856)	(38,459)
19 Capital Fund	1,972,600	3,522,500
20 Operating Fund	5,175,741	1,181,088
21 Debt Service Reserve Fund	1,653,060	3,781,403
22 Total Liability and Asset-Related Adjustments (sum of 17 to 21)	\$ (10,038,849)	\$ (7,952,134)
23 Total Value of Existing Assets Net of Liabilities (16+22)	\$ 9,916,088	\$ 134,730,020
Future Cost Basis		
Future CIP		
24 Cost Center Specific Projects	\$ 2,499,456	\$ 48,157,623
25 General Water Project Costs Assigned to Cost Center	23,451,061	39,930,184
26 Water District Projects Assigned to Cost Center	1,563,575	2,605,959
27 Infrastructure Related Future CIP Costs (24+26)	\$ 27,514,092	\$ 90,693,766
28 Total Value of Existing and Future Assets (23+27)	\$ 37,430,180	\$ 225,423,786
Existing and Future Customer Base		
Meters Equivalents		
29 Total Existing Meter Equivalents	5,520	6,689
30 Number of Future Meter Equivalents	2,750	7,697
31 Total Number of Meter Equivalents (29+30)	8,269	14,387
System Capacity Charge Results		
32 Estimated CY System Capacity Charge (28/31)	\$ 4,526	\$ 15,669
33 Current CY 2012 Capacity Charge (System)	\$ 5,450	\$ 5,750
34 Difference (32-33)	\$ (924)	\$ 9,919
CCI Adjusted Charge (Based on 2003 Charge)	\$ 7,563	\$ 7,980

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MCWD - Capacity Charge Calculations

March 2013

	Marina Sewer	Ord Sewer
System Capacity Charge		
Existing Cost Basis		
Value of Water Infrastructure in Service		
1 Total Replacement Cost of Existing System Infrastructure	\$ 27,684,650	\$ 62,336,100
2 Less Accumulated Depreciation on Existing Infrastructure Assets	(14,560,205)	(32,644,610)
3 RCNLD of Water Infrastructure in Service (sum of 1 to 2)	\$ 13,124,445	\$ 29,691,490
Value of Other Depreciable Assets		
4 Total Value of Water/Sewer Rights Assets	\$ -	\$ -
5 Less Accumulated Depreciation on Water/Sewer Rights Assets	-	-
6 Total Value of Building and Improvements Assets	319,215	501,880
7 Less Accumulated Depreciation on Building and Improvements Assets	(108,434)	(76,519)
8 Total Value of Equipment Assets	432,429	572,448
9 Less Accumulated Depreciation on Equipment Assets	(316,711)	(223,493)
10 RCNLD of Other Depreciable Assets (sum of 4 to 9)	\$ 326,498	\$ 774,317
Value of Non-depreciable Assets		
11 Land	\$ 857,002	\$ 1,216,549
12 Property Easement	-	10,800,000
13 Water/Sewer Rights	-	15,300,000
14 Construction in Progress	147,810	842,889
15 Sub-Total of Adjustments (sum of 11 to 14)	\$ 1,004,812	\$ 28,159,438
16 Total Value of Capital Assets (3+10+15)	\$ 14,455,755	\$ 58,625,245
Liability and Asset Related Adjustments		
17 Outstanding Debt for Infrastructure (2006 and 2010 Bonds)	\$ (2,463,925)	\$ (8,360,980)
18 Other Long-term Debt	(16,670)	(5,942)
19 Capital Fund	563,600	986,300
20 Operating Fund	663,971	2,071,647
21 Debt Service Reserve Fund	447,943	1,147,087
22 Total Liability and Asset-Related Adjustments (sum of 17 to 21)	\$ (805,081)	\$ (4,161,888)
23 Total Value of Existing Assets Net of Liabilities (16+22)	\$ 13,650,674	\$ 54,463,357
Future Cost Basis		
Future CIP		
24 Cost Center Specific Projects	\$ 10,639,834	\$ 34,242,551
25 General Sewer Project Costs Assigned to Cost Center	314,984	314,984
26 Water District Projects Assigned to Cost Center	469,073	573,311
27 Infrastructure Related Future CIP Costs (24+26)	\$ 11,423,891	\$ 35,130,846
28 Total Value of Existing and Future Assets (23+27)	\$ 25,074,564	\$ 89,594,203
Existing and Future Customer Base		
Equivalent Dwelling Units (EDUs)		
29 Total Existing (EDUs)	7,235	5,541
30 Number of Future EDUs	3,513	6,193
31 Total Number of Meter Equivalents (29+30)	10,748	11,734
System Capacity Charge Results		
32 Estimated CY System Capacity Charge (28/31)	\$ 2,333	\$ 7,636
33 Current CY 2012 Capacity Charge (System)	\$ 3,950	\$ 2,150
34 Difference (32-33)	\$ (1,617)	\$ 5,486
CCI Adjusted Charge (Based on 2003 Charge)	\$ 5,482	\$ 2,984

APPENDIX E – PROPOSED MONTHLY FIRE METER SERVICE CHARGES

Table E-1 Marina Water Proposed Fire Service Rates Marina Coast Water District Comprehensive Rate Study and Financial Plan					
Fire Service Size	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
1.0"	\$1.49	\$1.53	\$1.58	\$1.63	\$1.68
1.5"	4.32	4.45	4.59	4.72	4.87
2.0"	9.21	9.49	9.78	10.07	10.37
2.5"	16.57	17.07	17.58	18.11	18.65
3.0"	26.77	27.57	28.40	29.25	30.13
4.0"	57.04	58.75	60.51	62.33	64.20
6.0"	165.69	170.66	175.78	181.05	186.49
8.0"	353.09	363.68	374.59	385.83	397.40

Table E-2 Ord Community Water Proposed Fire Service Rates Marina Coast Water District Comprehensive Rate Study and Financial Plan					
Fire Service Size	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
1.0"	\$1.69	\$1.83	\$2.00	\$2.19	\$2.26
1.5"	4.90	5.33	5.82	6.35	6.56
2.0"	10.44	11.35	12.40	13.54	13.99
2.5"	18.78	20.41	22.29	24.35	25.15
3.0"	30.34	32.97	36.01	39.33	40.63
4.0"	64.65	70.26	76.73	83.81	86.58
6.0"	187.79	204.11	222.88	243.46	251.49
8.0"	400.18	434.96	474.97	518.81	535.94

FORT ORD REUSE AUTHORITY BOARD REPORT

NEW BUSINESS

Subject:	Alliance Management Performance Evaluation	
Meeting Date:	October 11, 2013	ACTION
Agenda Number:	8b	

RECOMMENDATION(S):

Accept the Management Performance Report.

BACKGROUND/DISCUSSION:

In 1997, Fort Ord Reuse Authority (FORA) leased the 354-unit Preston Park Housing Complex from the Army under terms of a Lease in Furtherance of Conveyance (LIFOC). In 2000, the US Army transferred Preston Park to FORA. Subsequent to the transfer, the operation of the complex has remained similar to the initial 1997 LIFOC.

On December 7, 2007, FORA and the City of Marina (Marina) entered into the Preston Park Management Agreement (PPMA) with Alliance Communities Inc. (Alliance) to provide professional management services for the Preston Park property. Alliance was chosen, in part, because they offered a lower management fee with potential cost savings and efficiencies from managing 1,100 housing California State University Monterey Bay units.

The PPMA identified FORA as the Owner, Marina as FORA's Agent, and Alliance as the Operator. Net rental revenues from the property are shared 50/50 between FORA and Marina, as described in the FORA-Marina Implementation Agreement and State law. Consistent with the PPMA, Alliance assumed Preston Park management responsibilities in January 2009.

The 3-Party (Marina, FORA, and Alliance) PPMA expired on December 31, 2011. On November 18, 2011, the FORA Board met in closed session to discuss ongoing litigation between Marina and FORA regarding the disposition of Preston Park. The Board discussed Marina's breach of the PPMA and instructed the Executive Officer to enter into a 2-Party management agreement with Alliance for 90 days, should the proposed 3-party agreement continuation fail by the December 31, 2011 expiration date.

At the January 13, 2012 meeting, the FORA Board took a 2nd vote on its December motion to approve a 90-day continuation of the 3-Party PPMA, but the motion failed. Instead of voting on a 2-Party Management Agreement at this meeting, the Board directed staff to return the following month for consideration of a 2-Party and 3-Party Management Agreement. The 2-Party Management Agreement was modified to reflect some changes previously requested by Marina's FORA Board representatives/staff.

The FORA and Alliance 2-Party Management Agreement expired on December 31, 2012. The agreement was presented to the Board for renewal under the same terms as the previously approved 2011-12 agreement. The Board approved the agreement on a second vote at the February 15, 2013 meeting, with the understanding that an Alliance Management performance report would be presented this Fall. Attachments are provided on the FORA website at the following link: <http://fora.org/downloads.html>

A Preston Park Management Performance Review Work Plan was created to determine if:

1. Alliance complies with the PPMA (**Attachment A**).
2. The operation of the property is accurately accounted for and reported to the owner.
3. Property income is accurately accounted and passed on to the owner in a timely manner.
4. Disbursements are proper, authorized, and paid in a timely manner.
5. The property is adequately safeguarded and properly managed.

Alliance Management Corporate Profile

Alliance is one of the largest private U.S. multi-family companies and according to the National Multi-Housing Council's 2013 NMHC 50 survey results; Alliance is the 10th largest management company in the nation. Alliance is a fully integrated multifamily company focused on the development, acquisition, construction and management of residential and mixed-use communities (**Attachment B**).

Alliance is an Accredited Management Organization through the Institute of Real Estate Management (IREM) which reflects the fact that many of their associates hold real estate license and industry designations/certifications-such as Certified Property Manager, Certified Apartment Manager (CAM), National Apartment Leasing Professional, Accredited Residential Manager (ARM), Certified Public Accountant and Certified Internal Auditor.

Property Management

Alliance manages more than 62,000 units in 267 communities throughout the United States. Preston Park Regional Manager Jill Hammond holds an (ARM) designation and Senior Vice President of West Coast Operations Tracy Burnetti is a (CAM).

Our first step in reviewing the PPMA was to determine if the Alliance operates according to the provisions of the management contract. To do so we:

- Determine if Alliance prepared/sent a management and marketing plan to the owner.
- Determine if Alliance prepared/sent an annual cash budget, including recommended capital expenditures, to the owner.
- Determine if Alliance prepared a unit condition checklist at the time of move-out and that it has been signed by the agent and tenant prior to releasing any security deposit funds.
- Determine if Alliance prepared a unit condition checklist soon after each new tenant's move-in date and that it has been signed by the agent and the tenant.

Operations

Alliance provides a comprehensive monthly report covering fifteen areas of Preston Park operations (**Attachment C**):

- Operations Summary
- Market Survey
- Variance Analysis
- Budget Comparison
- Balance Sheet
- 12 Month Projected Cash Flow
- Trial Balance
- General Ledger
- Aged Receivables
- Aged Payables
- Check Register
- Capital Expenditures
- Bank Reconciliation-Operating
- Bank Reconciliation-Reserves
- Bank Reconciliation-Security Deposits

The Alliance Monthly Report was reviewed and discussed with FORA staff for accuracy and timeliness. FORA staff verified that fidelity bond coverage is in force and is adequate to protect the owner's interests. If the bond is not adequate in relation to the volume of cash handled, advise the owner.

- Determined if the property manager periodically evaluated the marketing skills of their on-site or off-site staff. **(Attachment D)**
- Determined if the agent has adequate procedures to respond to suspected drug and criminal activity and reporting property losses or other insurable incidents.
- Determined if the agent adequately safeguards records related to the property, including leases. Determined that the agent has adequate control over its computer data files. Determined if the agent has adequate records to recreate data files, if needed.

Financial Records

Financial records used to monitor the operating efficiencies of the property were reviewed. As such we undertook the following:

- Determined that the balance sheet, general ledger, and income and expense statement were prepared and timely submitted.
- Verified that Alliance reviewed/approved the monthly report transmittal to FORA.
- Verified the mathematical accuracy of the balance sheet. Trace all asset and liability amounts to supporting documentation such as bank account reconciliations, ledgers, and trial balances.
- Verified accounts receivable from the balance sheet and/or the delinquent rent report. Determined collection efforts made for past due receivable amounts.
- Verified that statements of accounts payable and accounts receivable are included in the monthly reporting package.
- Verified the accounts payable from balance sheet to accounts payable ledger.
- Verified the security deposits from the asset and liability on the balance sheet to the rent roll, the security deposit register or the detailed rent roll, and bank account reconciliation.
- Determined capital expenditure amounts spent and identified individual capital expenditures over the agreed threshold limit to determine that they were authorized by the owner.
- Verified the mathematical accuracy of the income and expense statement.
- Compared actual income and expenses from the income and expense statements to budgeted income and expenses on the annual cash budget. Obtain explanations for significant variances from budget (ex: 10% or \$1,000).
- Verified the mathematical accuracy of the cash receipts and disbursements records and the schedules of accounts payable and accounts receivable.

Receipts

Income from operations is what is used to pay bills and generate cash-flow. As such, we:

- Determined if the number of units on the rent roll and the detailed rent roll agrees with the number of units in the building.
- Verified the number of vacant and occupied units on the detailed rent roll provided by the agent agrees with the latest rent roll sent to the owner. For a sample of at least 25% of the units, verify unit number, tenant, rent amount, lease term, and security deposit amount as reported on the rent roll agrees with the leases.

- Determined if the leases are properly signed and executed and conform to the owner's requirements.
- Determined if new tenant leases are at rental owner rates approved rates.
- Traced receipts from the rent roll and detailed rent roll to the income and expense statement and to the deposit register and the bank statement to ensure that all funds are accounted for and that funds are properly classified.
- For security deposits not returned to the former tenant, we determined the justification for keeping the deposit or that the former tenant waived the return of the security deposit.
- Using the detailed rent roll and the delinquent rent report, we verified that the agent is collecting full months' rent, recording uncollected rent as a receivable, properly accounting for prepaid rents, and making efforts to collect delinquent rents.
- Determined whether there are any rental concessions and whether they conform to the management and marketing plan.

Disbursements

Controlling expenses is as important as maximizing the income. As such we:

- Determined that the agent's management fees comply with the Agreement.
- From a review of the manager's resume and discussion with the owner's personnel, identify the agent's employees and affiliates. Review any payments to the agent, its affiliates, or its employees for propriety.
- Reviewed the check register for large or unusual disbursements. Determine if any repairs, alterations, improvements, or contracts were for greater than 12 months or more than the allowed threshold and thus were pre-approved by the owner. Obtain explanations for any unusual disbursements.
- Determined if the agent has contracted for utilities and other services as necessary for the operation of the property. Determine that the agent only paid for utilities authorized by the owner and provided for in the leases.
- Verified competitive bidding.
- Review canceled checks for all major disbursements to determine that they were properly endorsed by the payee. Review for unusual or second endorsements.
- Determined that amounts which are due the owner have been remitted to the owner according to the Agreement. Trace remittances to posting to the owner's records.
- Determined if there are indications that the agent has marked up the cost of in-house or outside goods and services by reviewing invoices, comparing actual amounts to budgeted amounts and reviewing for approval of variances, reviewing for competitive bids, noting if the agent uses several vendors rather than a few vendors, and discussion with agent personnel. **(Attachment E)**

Custodial Accounts

Property management is a trust relationship. As such there is a fiduciary responsibility by the management to the owner. Therefore we:

- Determined if the agent has established custodial bank accounts in compliance with the Agreement and that the accounts meet the requirements of the Agreement.
- Traced the bank balance on the bank account reconciliations to the bank statement and the cashbook balance to the agent's cashbook and the balance sheet. **(Attachment E)**
- Examine the bank statement for alterations.

- Verify the mathematical accuracy of the reconciliations. Verify that outstanding deposit and credit items were credited to the bank account balance promptly and obtain an explanation for any exceptions. Also, review old outstanding checks for essential items to ensure that payment has been made.
- Determine that interest on custodial funds, if required by the Agreement, is credited to the owner.
- Determine that voided checks have been properly voided.
- Alliance performs random internal audits of Preston Park (**Attachment F**)

Site Visit

No management review can be complete without performing a site visit. As such we:

- Performed an inspection of the property to verify that the property is adequately maintained and secured.
- Determined if the agent maintains and repairs the property as needed by comparing records of maintenance and repairs performed by the agent to information noted in inspection reports and shopping reports and responses to tenant repair requests.
- Verified that repairs, alterations, and improvements were properly performed for the larger items identified in this work program.
- Obtained a list of vacant units from the most current rent roll. Inspect a sample of the units to determine that they are not occupied. If any of the units are occupied, review the lease for the unit noting whether the lease date is subsequent to the date of the rent roll and prior to the date of our inspection.
- Using the rent roll and the detailed rent roll, selected a sample of tenants and confirm directly with the tenant the amount of rent being paid and the status of the rent paid on the rent roll (prepaid, current, or delinquent).
- Performed a petty cash count.
- Alliance commissioned Kingsley and Associates to assess resident satisfaction throughout the residential portfolio in order to improve performance, increase retention, maximize value and attain operational excellence. (**Attachment G**)
- Affordability Compliance Monitoring performed monthly (**Attachment H**)
- Monthly Newsletters (**Attachment I**)

Summary/ Conclusions

The Alliance Management Performance review used the current scope of services to provide the service or task and comments and rating of the company's performance. According to Exhibit A of the PPMA Scope of Services Agreement, Alliance Residential Management will manage, direct and supervise using commercially reasonable efforts, all aspects of property management for Preston Park Apartments.

In the exit conference, we discussed findings with Alliance management. Obtain responses of intended corrective action and the date of expected completion from the Alliance management for inclusion in the report. The rating ranges from **Satisfactory** to **Needs Improvement**.

Task	Rating	Comment	Follow Up Needed
Placement of Residents with appropriate leases	Satisfactory	Tasks summarized in Attachment B	Preston Park has seen 6 evictions from Jan 2008 – September 2013.
Collect all monthly rents and fees	Satisfactory	On the 6 th of each month, residents who have not paid their rent are notified in writing, per CA law, that they must pay their rent within 3 days or leave the home. While the wording of these notices is harsh, by law a 3-Day Notice must include verbiage about leaving the home within 3 days if rent is not received. Alliance staff works with every individual to come to an agreement if rent must be paid at a later date by putting in place a stipulation agreement. This agreement is a legally binding document that, if unfulfilled, will result legal action. Even after an attorney is involved, we make arrangements with residents to space out payments and attorney's fees so that they are more easily afforded	
Maintain community standards of physical and social environment while keeping within budget	Satisfactory	Alliance commissioned Kingsley Report on quality of residential experience that needs to be monitored	
Hire, train, and supervise all staff with staffing plan to owner.	Satisfactory	Every year at the end of the year current employees are evaluated for performance. At that time previous work effort is reviewed, and new goals are set for each associate. Employees are coached and/or reprimanded if work effort or performance is poor. Training is made readily available and often assigned to associates in order to reinforce a constructive outcome.	
Develop and maintain a list of qualified prospective renters.	Satisfactory	Monthly report in Attachment C	
Prepare an affirmative fair housing marketing	Satisfactory	It is an Alliance best practice to include the logo on all prospect	

Task	Rating	Comment	Follow Up Needed
plan, circulate marketing materials, and participate in community meetings.		and resident materials and marketing communication. Alliance staff has regular meetings with PP Tenant representatives and attends FORA meetings	
Analyze financial requirements for operations, prepare annual budget, work within budget, and multiyear Capital Improvement Plan	Needs Improvement	Property audit did not occur last year due to change from 3 party to 2 party PPMA	FORA Auditors will perform two year audit and contract to be revised to reflect completion of audit within fiscal year.
Develop and implement written office procedures, train and supervise office and leasing personnel.	Satisfactory	Alliance Residential has substantial policies and structure in this area	
Maintain financial records and generate monthly financial reports.	Needs Improvement	Overall reporting is satisfactory tenant roll information is requested in quarterly reporting basis in future	Develop plan for short-term investment of Reserve Account when over \$2 million
Report regularly to the owner on current status of all operations.	Satisfactory	Monthly Operational Report	
Manage the selection process for outside contractors.	Satisfactory	Maintenance/Capital Improvement Program in the approved budget. FORA staff reviews contracts and bidding process	
Prepare tenant handbook and circulate written communications to tenants.	Needs Improvement	Tenant rights and grievance process covered in lease agreement	Amend contract to remove language and acknowledge changed circumstance
Explore opportunities for cooperation with housing developments at CSUMB	Satisfactory	Economies of Scale: extra support from Office of Maintenance staff, having a management contract with CSUMB in close proximity also allows us to benefit by utilizing the same vendor services at reduced rates. In addition to company-wide preferred vendors, such as Floormasters and Office Team, in the Monterey area we benefit with lower pricing by utilizing the same Landscaping vendor, additional Flooring and	

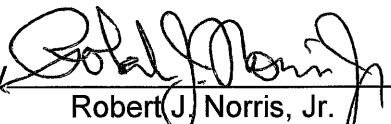
Task	Rating	Comment	Follow Up Needed
		Resurfacing vendor, Answering Service, General Contractor, and Cleaning Vendor.	
Other duties as needed			
Overall Rating: Satisfactory			

Reviewed by FORA Controller 

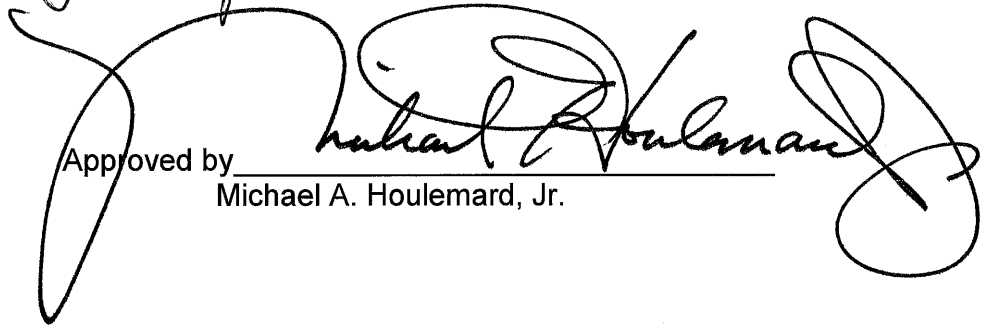
Staff time for this item is included in the approved FORA budget.

COORDINATION:

FORA Staff, Alliance Management, Legal Counsel, FORA Controller, and City of Marina Police Department

Prepared by 
Robert J. Norris, Jr.

Reviewed by 
Steve Endsley


Approved by
Michael A. Houlemard, Jr.

Attachment A to Item 8b
FORA Board Meeting,
10/11/2013

**PRESTON PARK
MANAGEMENT AGREEMENT**

THIS MANAGEMENT AGREEMENT ("Agreement") is dated for reference on __2/15_, 2013. It is made by and between the Fort Ord Reuse Authority, a California public entity, ("Owner") and Alliance Communities, Inc., a Delaware corporation, ("Operator").

RECITALS

1. Owner holds exclusive title to certain improved real property commonly known as Preston Park consisting of 354 units ("Units") at 682 Wahl Court, Marina, CA 93933 (the "Property").
2. Owner requires the services of a professional management company to perform administrative and financial services. Owner has determined that Operator has the requisite skill, training experience and legal authority, including a California real estate brokerage license, needed to manage the Property.
3. The purpose of this Agreement is to articulate the terms under which Owner and Operator will share responsibilities for the Property.

AGREEMENT

In consideration of the promises in this Agreement and for other good and valuable consideration, the receipt of which is hereby acknowledged, Operator and Owner agree as follows:

1. APPOINTMENT OF OPERATOR. Owner appoints Operator and Operator hereby accepts appointment as Owner's exclusive agent to manage, operate, supervise, and lease the Property and to perform those actions necessary to fulfill Operator's obligations to the Owner except as provided herein.

2. TERM

- 2.1 TERM. This Agreement shall commence on January 1, 2013, and shall continue to midnight, December 31, 2013 or until the Fort Ord Reuse Authority ("FORA") transfers title to the Property except as provided in section 2.2., whichever occurs first.

- 2.2 EARLY TERMINATION. This Agreement is terminable on the occurrence of any of the following:

- (a) If Owner fails to comply, after notice and an opportunity to cure, with any rule, order, determination, ordinance or law of any federal, state, county, or municipal authority. In that event, Operator may terminate this Agreement upon thirty (30) days written notice to Owner unless Owner is in good faith contesting same, under Section 4.2(g).

Preston Park Management Agreement

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(b) If either party defaults in the performance of a material obligation and such default continues for thirty (30) days after written notice from the non-defaulting party to the defaulting party specifying such default. Notwithstanding the above, if a cure has commenced and the defaulting party is diligently pursuing said cure within said 30-day period then the party not in default shall not affect the termination.

(c) Owner or Operator may terminate this Agreement with cause upon sixty (60) days written notice to the other party. It is understood that the respective rights and obligations of the parties shall continue to be governed by this Agreement until the effective date of such termination.

2.3 DUTIES UPON TERMINATION. Upon the effective date of termination of this Agreement for any reason:

(a) Operator shall have no further right to act on behalf of Owner or to disburse any of Owner's funds;

(b) Operator will immediately deliver to Owner all Books, Records, and Documents (as herein defined) maintained under this Agreement and do all that is reasonably necessary to facilitate the orderly transition of Property management;

(c) Operator shall render to Owner an accounting of all funds (i. e. bank accounts) of Owner held by Operator relating to property and shall immediately cause such funds to be paid to Owner; and

(d) Operator shall perform all reporting and accounting functions hereunder for the period from the date of the last report or accounting to the date of termination.

3. COMPENSATION

3.1 Management Fee. In addition to other reimbursements to Operator provided for in this Agreement, Owner shall pay Operator a monthly management fee equal to 2.5% of the Gross Revenue, as defined in Section 3.2. Owner shall pay Management Fees in monthly installments at the beginning of each month. These fees shall be paid from the Trust Account as part of the operating expenses of the Property.

3.2 Gross Revenue. For purposes of computing the Management Fee, the term "Gross Revenue" means all revenue derived from the Property, determined on a cash basis, from (a) tenant rentals for each month during the Term of this Agreement; excluding tenant security deposits (except as provided below); (b) forfeited cleaning, security and damage deposits; (c) laundry and vending machines receipts; (d) other revenue from the operation of the Property received during the Term of this Agreement; (e) proceeds from rental interruption insurance, but not any other insurance proceeds or proceeds from third-party damage claims, and (f) charges collected in connection with termination of the tenant's right of occupancy. Gross Revenue does not include the proceeds of (i) sale, exchange, refinancing, condemnation, or other disposition of all or any part of the Property, (ii)

any loans to Owner whether or not secured by all or any part of the Property, (iii) any capital expenditures or funds deposited to cover costs of operations made by Owner, and (iv) any insurance policy (other than rental interruption insurance or proceeds from third-party damage claims).

3.3 Distribution of net profits to City of Marina and FORA. As provided in Government Code section 67678(b)(2), Operator shall distribute net profit from operation of the Property as follows

Fifty percent (50%) to the City of Marina, and

Fifty percent (50%) to FORA.

3.4 Capital Improvement Management Fee. *On or before March 31, 2013* Operator shall submit to Owner an annual Capital Improvement Program ("CIP"). The CIP shall describe recommended capital improvements. The Owner shall approve in writing the Capital improvement projects to be undertaken each year. Owner will pay to Operator a construction management fee for Capital Improvements managed by Operator. That fee shall be equal to six percent (6%) of the total project cost as set forth in an executed written proposal or agreement. Each project must be approved in writing by Owner. Operator's fee will be increased or decreased by all change orders approved by Owner. Operator's CIP management fee shall be computed and paid based on monthly construction invoices. Such fees and capital projects will be paid from Reserve Account. 3.5. Definitions For Section 3:

3.5.1. Capital Improvements and Maintenance. For purposes of this Section 3.4, a capital item is distinguished from maintenance in that a capital improvement is intended to extend the useful life of a fixed asset, whereas repairs and maintenance keep the asset in its customary state of operating efficiency. Minor improvements to structures or site involving a total expenditure of less than Five Thousand Dollars (\$5,000) are not capital improvements. Replacement of structural elements, even costing more than Five Thousand Dollars (\$5,000), caused by normal wear and tear, are maintenance and not a capital improvement. "Extraordinary maintenance," referring to those emergency items that need immediate replacement prior to the capital planned schedule for replacement, are provided for in the annual budget so that urgent replacements or repairs may be addressed immediately.

3.5.2. Routine maintenance: Simple, small-scale activities (usually requiring only minimal skills or training) associated with regular (daily, weekly, monthly, etc.) and general upkeep of a building, equipment, machine, plant, or system against normal wear and tear. Examples: Those items listed in the budget classified as general Repairs and Maintenance.

3.5.3. Non-routine maintenance: Activities that require specialized skills or training that are associated with irregular or out of the ordinary upkeep of a building, equipment, machine, plant, or system. Examples: Slurry seal, carpet and flooring replacements, appliance replacements, minor roof and gutter repairs, dryer vent cleaning.

3.5.4. Capital items/construction: Complex or larger scale activity associated with buildings, structures, or other improvements including alterations, painting, remodeling, transportation of construction and furnishing goods and material etc. Examples: Replacement of windows, exterior building repaint, interior unit remodeling or remediation, re-plumbing projects, signage development, roof replacement.

4. DUTIES AND RESPONSIBILITIES

4.1 OPERATOR'S RESPONSIBILITIES. Operator is responsible for management of the Property in accordance with the standards of practice of professional managers of similar properties in the Monterey Peninsula area. Operator will provide other customary management services related to the ordinary business affairs of the Property consistent with the standards of management, operation, leasing, and maintenance of similar property in the area. Those services shall include but not be limited to the Scope of Services described in Exhibit "A.". Operator shall also establish and implement a mutually agreeable business plan and shall operate within the annual budget as approved by Owner. Operator acknowledges and shall continue, unless given new instructions, the commingling of staff, space for maintenance and administrative staff, and equipment and supplies for property management of the Preston Park (FORA-owned property) and Abrams B (City of Marina-owned property) on a 60/40 basis.

4.2 SPECIFIC DUTIES AND RESPONSIBILITIES OF OPERATOR. Operator agrees and is hereby granted authority to undertake the functions described in this section.

4.2.1 Collections Practice. Operator shall use commercially reasonable efforts and means to collect rents and other charges due from tenants. When deemed a sound business practice, Operator will institute legal proceedings on behalf of Owner to collect unpaid debts. Owner hereby authorizes Operator to request, demand, collect, and receive funds for collection thereof in accordance with all applicable laws, regulations, ordinances or administrative grievance procedures and for the lawful dispossession of tenants, guests, and other persons from Property. Owner agrees to reimburse Operator's expenses of collection, provided such expenditures have been approved in writing by Owner.

4.2.2 Books, Records, and Documentation.

4.2.2.1. Operator shall maintain at its principal office or on the Property, complete and separate books, records and documents relating to the management and operation of the Property, including without limitation contracts, leases, amendments, extensions and agreements relating to contracts and leases, annual contributions contracts, files, correspondence with tenants and prospective tenants, documentation of tenant eligibility, computations of rental adjustments, maintenance and preventive maintenance programs, schedules and logs, tenant finish and construction records, inventories of personal property and equipment, correspondence with vendors, job descriptions, business correspondence, brochures, and accounts held or maintained by Operator (all such books, records, and documents being referred to herein as "Books, Records, and

Documentation"). Operator shall maintain all financial books and records in conformance with generally accepted accounting principles at Operator's sole expense. Owner shall have the right to examine, audit and take originals and copies of said Books, Records and Documents at Operator's principal office with two day's written advance notice to Operator.

4.2.2.2. Upon request, Operator shall make financial books and records available for examination, audit, inspection and copying by public officials with regulatory authority over the Operator or Property to the extent required by law. Since the City of Marina obtains 50% of the proceeds, the City of Marina will have the same inspection rights as FORA.

4.2.2.3. On or before fifteen (15) days following the end of each calendar month, Operator shall deliver or cause to be delivered to Owner a standard Financial Reporting Package. The Financial Reporting Package shall include an unaudited financial statements and various reports as follows: Summary of Management Activities including summary of tenant comments and complaints, and a summary of any Tenant's Association meeting that occurs during the period in question, Variance Analysis, Market Survey, Income statement showing the results of operation of the Property for the preceding calendar month and the Fiscal Year to date, and comparison of actual income and expenses with the income and expenses projected in the Budget, Balance Sheet, Trial Balance, General Ledger detail report of all transactions in all accounts, summary of Account Receivable and Account Payable, Bank Reconciliation and Bank Statements for all three bank accounts, Capital Expenditures Statement, and Request for Reserves Withdrawal. All reporting will use Operator's standard chart of accounts and the Yardi software unless otherwise stipulated and as agreed to by Owner and Operator in writing.

4.2.3 Annual Audit. At the end of the term as described in Section 2.1 herein and as of the date of termination, Operator shall arrange and coordinate an audit of the books and records of the Property made by a firm of certified public accountants as approved by Owner. Operator shall also have said accountants prepare for execution by Owner all forms, reports, and returns required by any federal, state, county, or municipal authority relating to the Property. The cost of said audit is a cost of the Property that shall be reflected in the annual budget approved by Owner. To the extent feasible, FORA shall coordinate with City of Marina to conduct an audit of Preston Park in conjunction with City of Marina's audit of Abrams B.

4.2.4 Repairs and Maintenance. Operator will use commercially reasonable efforts to maintain the condition of the Property in the condition prescribed by Owner, will regularly inspect the readily accessible areas of Property, will take commercially reasonable efforts against fire, vandalism, burglary and trespass on the Property, and will arrange to make all necessary repairs. Operator's maintenance duties shall include making all necessary repairs for the Property and trash removal. Consistent with provisions of FORA and FORA ordinances and policies on local hire, Operator may employ independent contractors and other employees necessary to properly maintain, manage and operate the Property. Any contract over \$20,000 per year for an item which is not covered within the approved annual budget shall be presented to Owner for approval in advance of the execution of such a contract by Operator, unless the expenditure is for emergency repairs that are immediately necessary for the preservation or safety of the Property, repairs for the health,

safety or welfare of people or property, repairs to avoid suspension of necessary services to the Property, or to avoid criminal or civil liability to Owner or Operator. Furthermore, approval shall be required to incur any Property expense pertaining to operations that exceeds the budgeted annual amount for that line item, unless the expenditure is for emergency repairs that are immediately necessary for the preservation or safety of the Property, repairs for the health, safety or welfare of people or property, repairs to avoid suspension of necessary services to the Property, or to avoid criminal or civil liability to Owner or Operator. Notwithstanding the foregoing, any increase in a Property expense which does not increase the budgeted amounts for such expense by more than 5% and which, when combined with any decreases in budgeted amounts made by Operator, does not cause an increase in the overall budget, shall not require approval. Any expense which does require approval shall be either put out to bid by Operator or Operator shall have obtained at least three quotes for the cost of such item, unless the expenditure is for emergency repairs that are immediately necessary for the preservation or safety of the Property, repairs for the health, safety or welfare of people or property, repairs to avoid suspension of necessary services to the Property, or to avoid criminal or civil liability to Owner or Operator.

4.2.5 Rental of Housing Units. Operator's renting of the Units shall conform to this Agreement and the following policies:

4.2.5.1. The Units shall be rented on a six-month lease term or month-to-month.

4.2.5.2 Rents established Exhibit "B" will be applied until changed by Owner. Any amendment to the rental rate schedule shall be approved in advance in writing by Owner.

4.2.5.3. Applicants for the Units must qualify based upon the applicant's ability to pay and maximum occupancy guidelines published by the State of California at the time of renting and applicable occupancy standards for the Units. Fifty one (51) of the Units are to be rented at below market rate affordable rents ("Affordable Rents") of which thirty two (32) of the Units shall be considered low and nineteen (19) of the units shall be considered very low, as defined in the Regulatory Agreement. The Affordable Rents are set forth in Exhibit B and may be amended annually. Any increase in the Affordable Rents shall be subject to the approval of Owner and in accordance with the terms of the Regulatory Agreement. Applicants of units to be rented at the Affordable Rents must meet the same requirements as above, as well as qualify based upon maximum income limits and minimum occupancy guidelines according to rules and regulations promulgated by the State of California.

4.2.5.4. Operator shall select tenants for available units as follows:

(A) Operator shall first offer and rent available units to applicants on the basis of the following preferences, which have been determined by Owner and for which an applicant must qualify at the time of initial occupancy of a unit. No more than a total of 35% of the housing units shall be offered for lease at any one time on the basis of the preferences listed in (B) – (E) below. Owner shall indemnify, defend and hold Operator, its officers, agents and employees, harmless from any cost, damage, claim, liability, suit, cause of action or other legal proceedings which

may be brought or claimed against Operator as a result of implementing Owner's tenant selection criteria set forth below and as may be amended by Owner. Owner agrees to promptly notify Operator of any changes to the tenant selection criteria. For all preferences, a letter from the applicant's employer verifying the applicant's eligibility will be required when submitting the application. Incomplete applications will not be accepted.

(B) **FIRST PREFERENCE:** People who work at least twenty five (25) hours per week in a business or agency with a physical location within the City of Marina. Sales people or consultants who do business in Marina, but who do not have a physical location in Marina will not be considered as working in Marina.

(C) **SECOND PREFERENCE:** Employees of public safety departments, including police, fire, and public works employees of government jurisdictions in Monterey County.

(D) **THIRD PREFERENCE:** Employees of public or private education facilities, including colleges and universities located in Marina, on the former Fort Ord, and employees of the Monterey Peninsula Unified School District.

(E) **FOURTH PREFERENCE:** Employees of entities located on property known as "the former Fort Ord." A letter from the employer stating that the physical location where the applicant works is in this area must be provided."

(F) **Affordable Units.** Notwithstanding the foregoing, preferences (B), (C), (D) and (E) will be subordinate to the affordability requirements contained in paragraph (iii) above. In addition, said preferences will be subordinate to the requirement that, on average, twenty percent (20%) of the housing units at the Property will be affordable units."

(G) **Rental Agreements.** The prior Operator prepared and submitted to Owner for its approval and Owner has approved said rental agreements which shall be used by Operator for the property. If Operator desires to change the approved rental agreements, Operator shall seek Owner's comments and approval of the terms and conditions thereof. Owner's approval of the proposed rental agreements shall not be unreasonably withheld.

4.2.6. Insurance.

4.2.6.1 **Fire Coverage.** Operator shall obtain and keep in force fire and extended coverage insurance and other customary property insurance for the Property, the cost of insurance to be paid out of the Trust Account as approved by the Budget.

4.2.6.2. **Comprehensive General Liability Coverage.** Operator shall obtain and keep in force a Comprehensive General Liability (CGL) insurance policy to cover Owner and Operator, in amounts no less than \$1,000,000 per occurrence of bodily injury and property damage, and not less than \$2,000,000 policy general aggregate and an excess or umbrella liability policy in an amount not less than \$10,000,000 per occurrence basis, the cost of insurance to be paid

out of the Trust Account as approved by the Budget. Such insurance shall name Owner as a named insured and shall provide Owner and Lender with 30-day prior written notice of cancellations or material change in coverage. Operator shall be named as an additional insured on such CGL policy.

4.2.6.3. E and O Coverage. Operator shall obtain and keep in force Error and Omission insurance in amount of at least \$1,000,000 per wrongful act and \$1,000,000 in the aggregate. Operator shall obtain such insurance within 30 days of the date of this Agreement, and notwithstanding any other provision herein, all costs of insurance under this Section 4.2(f)(iii) shall be at the expense of Operator.

4.2.6.4 Automobile Coverage. Operator shall obtain and keep in force commercial automobile liability insurance (where applicable) in an amount not less than \$1,000,000 (combined single limit), coverage shall include leased, hired and non-owned vehicles, the cost of insurance to be paid out of the Trust Account as approved by the Budget.

4.2.6.5 Minimizing Insurance Cost. Operator shall not knowingly permit the use of the Property for any purpose which might void any policy of insurance relating to the Property, increase the premium otherwise payable or render any loss there under uncollectible.

4.2.6.6 Workers' Comp. Operator shall cause to be placed and kept in force workers' compensation insurance up to the statutory limit, including broad form, all-states coverage and employer's liability of at least \$500,000. Such insurance shall provide Owner with 30-day prior written notice of cancellations or material change in coverage. Workers' compensation insurance expenses associated with employees employed for the direct benefit of Owner or the Property shall be included in the approved budget for the Property.

4.2.6.7 Selection of Carrier. All of the insurance policies required by this Agreement shall (a) be written by insurance companies which are licensed to do business in California, or obtained through a duly authorized surplus line insurance agent or otherwise in conformity with the laws of California, with a rating of not less than the third (3rd) highest rating category by anyone of the Rating Agencies or with an A.M. Best Company, Inc. rating of "A-" or higher and a financial size category of not less than VI; (b) specifically identify the Owner and Operator as insureds and Lender as an additional insured; mortgagee; loss payee and additional insured with the Owner as the named insured; and (c) include a provision requiring the insurance company to notify the Lender and the Owner in writing no less than thirty (30) days prior to any cancellation, non-renewal or material change in the terms and conditions of coverage. In addition, the Operator shall provide the Owner and Lender with certificates of insurance and certified copies of all insurance contracts required by this Agreement within thirty (30) days of their inception and subsequent renewals.

4.2.7 Taxes and Assessments.

4.2.7.1 Operator shall process payments of all taxes, impositions, or assessments relating to the ownership or operation of the Property, including, without limitation, improvement assessments, possessory interest and real estate taxes, personal property taxes, taxes

on income or rents, or any charges similar to or in lieu of any of the foregoing. Prior to payment, Operator shall verify bills for possessory interest and real estate, personal property or other taxes, improvement assessments, and other similar charges which are due or may become due against the Property on the basis of ownership or operation of the Property. If requested by Owner, Operator shall render advice and assistance to Owner in the negotiation and prosecution of all claims for the reduction or equalization of property tax assessments and other tax assessments affecting the Property. The parties agree, however, that such advice and assistance goes beyond the ordinary management responsibilities contemplated by this Agreement and, as such, if Operator provides such services, they shall be at an additional cost to Owner.

4.2.7.2 Operator shall annually review, and submit to Owner a report on, real estate, personal property and other taxes and all assessments affecting the Property.

4.2.8 Compliance with Legal Requirements. Operator shall use reasonable means to become aware of, and shall take such actions as Operator deems prudent and necessary to comply with any laws, orders, public housing agency plans or requirements affecting the use or operation of the Property by any federal, state, county, or municipal agency of authority, including but not limited to compliance with and participation in administrative grievance procedures, provided that if the cost of compliance in any instance exceeds \$10,000.00, Operator shall not expend funds for compliance without Owner's prior written consent. Operator shall promptly notify Owner in writing of all such orders, notices, plans or requirements requiring expenditure of non-budgeted amounts. Operator, however, shall not take any action as long as Owner is contesting, or has affirmed its intention to contest and promptly institutes proceedings contesting any law, order, plan or requirement. Operator shall prepare, execute, and, after obtaining the written approval of Owner, thereby file any customary and standard reports and documents required by an applicable governmental authority. The filing of any special report or document shall not be included as part of this Agreement and shall be an additional cost to Owner. Operator covenants and agrees to obtain and maintain all licenses and permits necessary for the conduct of its business as Operator of the Property. Amounts expended by Operator for use of non-employee consultants or experts, including attorneys, in the performance of these duties shall be reimbursed by Owner provided that such amounts are approved in writing by Owner prior to Operator incurring such expenses. Operator shall comply with the terms of the Regulatory Agreement, a copy of which has been provided previously to Operator. Owner shall indemnify, defend and hold Operator, its officers, agents and employees, harmless from any cost, damage, claim, liability, suit, cause of action or other legal proceedings which may be brought or claimed against Operator based on said compliance provided that Operator is in compliance with the Regulatory Agreement.

4.2.9 Energy and Water Conservation. Operator shall use prudent and customary means to use and control utilities and water use at the Property in a manner to minimize total costs and satisfy Owner's obligations to tenants.

4.2.10 Advertising. Operator shall advertise the Property for rent at such times and by use of such media as it deems necessary subject to the annual budget approved or Owner's prior

written approval.

4.2.11 Employment of Personnel.

4.2.11.1. Operator will hire, train, supervise, direct the work of, pay, and discharge all personnel necessary for operation of the Property. Such personnel shall in every instance be employees of Operator and not of Owner. Owner shall have no right to supervise or direct such employees. All costs associated with the employment of personnel necessary for the on-site operation of the Property, including, but not limited to, salaries, wages, the costs of hiring, termination, training, uniforms, educational and motivational programs, other compensation and fringe benefits will be included in the approved budget for the Property. The term "fringe benefits" as used herein shall mean and include the employer's contribution of employment taxes, worker's compensation, group life and accident and health insurance premiums, 401K contributions, performance bonuses, and disability and other similar benefits paid or payable by Operator to its employees in other apartment properties operated by Operator subject to the annual budget approved by the Owner. The expenses of the Executive personnel of Operator who are assigned to on-site Property management for twenty percent (20%) of their time or more may also be included in the approved budget. Any litigation costs or expenses, including reasonable attorneys' fees and costs and wage penalties relating to the employment of on-site personnel are reimbursable to Operator by Owner, unless Operator has been negligent in its employment practices. Operator will not discriminate against any employee or applicant for employment in violation of any applicable law. The terms "employees" or "personnel" shall be deemed to mean and include employment of a casual, temporary, or part-time nature.

4.2.11.2. Operator may treat Property-related expenses of on-site, field, or maintenance as compensable business expenses. These expenses include worker's compensation insurance, travel and training. Such management expenses must be included in the approved budget for the Property. The property related expenses of Executive personnel of Operator who are assigned to on-site Property management for twenty percent (20%) of their time or more may also be included in the approved budget. Operator shall provide to Owner, at Owner's request, payroll and time sheets for all such employees. Notwithstanding the foregoing, employee compensation of workers performing services for Operator at properties other than the Property, shall be reimbursed to Operator *pro rata* based on the portion of working hours involved in services to the Property and such other properties; provided that Operator shall be reimbursed for any roving maintenance supervisor providing services to the Property at the rate of \$50 per hour for such services (or such amount as may reflected in the approved Budget). Operator shall solicit and receive approval from Owner to use the services of a roving maintenance supervisor prior to services being rendered.

4.2.11.3. Non-compensable Salaries. The salaries, wages, other compensation, benefits, travel, entertainment, and other expenses of Operator's executive personnel charged with general administration of this Agreement and off-site record-keeping personnel are non-reimbursable expenses of Operator.

4.2.11.4. Leasing. Operator shall make diligent efforts to secure and/or

retain tenants for the Property consistent with the character and status of the Property as outlined in the established Resident Selection Criteria. Operator shall make diligent efforts to assure that all leases and leasing practices conform to all laws, ordinances, regulations, public housing agency plans or annual contributions contracts applicable to the Property. Prior to the execution of a new lease by a tenant, Operator shall in good faith conduct such investigations of the financial responsibility and general reputation of the prospective tenant as are ordinarily and customarily performed by the managers of similar properties in the location of the Property.

4.2.11.5 Management Structure. Operator has previously provided an oral description of its management structure, roles and assurances as to the frequency of management visits to the Property and said description is attached as Exhibit "C" hereto.

4.2.11.6. Tenant Grievance Procedure. Operator has previously provided an oral description of its tenant grievance procedure and said procedure is attached as Exhibit "D."

5 OWNER'S EXPENSES

5.1 Except as otherwise provided in this Agreement, all reasonable expenses incurred by Operator in performance of its obligations under this Agreement described as reimbursable shall be reimbursed by Owner such expenses and reimbursables shall be paid with funds drawn from the Trust Account. Owner's responsibility for such expenses and reimbursables, including future attorneys' fees and costs relating to issues which arose during the term of this Agreement survive termination of this Agreement. Owner's expenses shall be limited to the amount included in the annual budget as approved by the Owner.

5.2 Operator may pay the following expenses directly from the Trust Account subject to other conditions in this Agreement:

a) Reasonable Administrative expenses of the Owner devoted to oversight of the Agreement limited to the amount included in the approved annual budget.

6. OPERATOR'S EXPENSES

6.1 Operator agrees to pay all salaries, wages and other compensation and benefits of personnel described in Section 4.2.11 of this Agreement as an Operator's expense without reimbursement by Owner, except as otherwise provided therein. Operator shall pay other expenses which are expressly (a) payable by Operator or (b) not reimbursable hereunder. Operator shall also pay (without reimbursement) any costs of providing corporate office facilities and supplies for such off-site corporate personnel and other expenses incurred by Operator which are not incurred in the performance of duties and obligations required by this Agreement.

7. BANK ACCOUNTS

7.1 ESTABLISHMENT OF ACCOUNTS.

7.1.1 Trust Account. Operator shall establish a separate bank account for the Property in such Name as Owner shall designate and at a bank selected by Operator (the "Trust Account"). Operator shall promptly deposit all rents and other funds collected by Operator at least monthly in respect of the Property, including, without limitation, any and all advance rents, into the Trust Account and shall not deposit funds attributable to any other property into the Trust Account. Operator shall inform such bank in writing that the funds deposited in the Trust Account are held in trust for Owner. Operator shall use funds in the account to pay the operating expenses of the Property and any other payments relative to the Property as allowed by the terms of this Agreement. Operator shall establish a working capital reserve equal to \$20,000 to be retained within the Trust Account to make up for operating shortfalls.

7.1.2 Security Deposit Trust Account. Operator shall establish a separate bank account for tenant security deposits at a bank designated by Operator (the "Security Deposit Trust Account") into which such security deposits shall be deposited. The Security Deposit Trust Account will be (a) maintained in accordance with applicable law and (b) used only for maintaining tenant security deposits for the Property. Operator shall inform the bank in writing that the funds are held in trust for Owner. Operator shall maintain detailed records of all security deposits deposited in the Security Deposit Trust Account, and such records will be open for inspection by Owner's employees or appointees.

7.1.3. Reserve Account. Operator shall establish a separate bank account ('Reserve Account') at a depository selected by Operator as agent for Owner, for the purpose of depositing funds for the Property in amounts Owner shall instruct and in such name as Owner shall designate. Deposits shall conform in all respects to depository and security requirements pertaining to Local Agency cash contained in California Government Code Title 5., Division 2., Part 1., Chapter 4., Article 2., Sections 53630 to 53686. To the extent sufficient funds are available, Operator shall promptly deposit funds in amounts instructed by Owner into the Reserve Account, and shall not deposit funds belonging or attributable to any other party or property into the Reserve Account. Operator shall execute and submit to Owner copies of bank documents demonstrating that funds deposited in the Reserve Account are held in trust for Owner. Operator shall not withdraw funds from the Reserve Account without express written consent of Owner.

7.1.4. Cash. Operator may also maintain a petty cash fund from money in the Trust Account and make payments therefrom in a manner consistent with the usual course of dealing with such funds in the property management business.

7.1.5. Distributions from Trust Account. Provided sufficient funds are available in the Trust Account, Operator will, on or about the fifteenth (15th) of each month, disburse funds via wire transfer to Owner to an account as stipulated by Owner to Operator in writing. On the 15th of the month, Operator will also wire disbursement of Marina's 50% share to the City of Marina, as a continuation of current practice of simultaneous distribution.

7.1.6. Broker / Insurance. The designated broker for Operator shall be an authorized signer on the Trust Account, the Security Deposit Trust Account, and the Reserve Account. In addition, the designated broker may authorize any person who qualifies as an authorized signatory on such accounts. The name of the designated broker shall be communicated by Operator to Owner in writing. Authorized signatories on such accounts shall have authority to make disbursements from such accounts for the purpose of fulfilling Operator's obligations hereunder. Funds over Five Thousand Dollars (\$5,000.00) may be withdrawn from such accounts only upon the signature of at least two (2) individuals who have been granted that authority by Operator. Authorized signatories or persons who handle funds for the Property, whether on or off site, shall be insured for dishonesty in the minimum amount of Three Million Dollars (\$3,000,000.00) per occurrence or loss with not more than a Twenty Five Thousand Dollars (\$25,000.00) deductible. A certificate confirming such insurance naming Operator and Owner as named insureds and confirming that it will not be modified or cancelled without at least thirty (30) days prior written notice to Owner shall be delivered to Owner prior to the Fee Commencement Date."

7.2 FUNDS PROVIDED BY OWNER. If the funds collected by Operator from operation of the Property are not sufficient to pay authorized expenses incurred in operation of the Property and to make all reimbursements to Operator pursuant hereto, Operator shall submit to Owner a statement showing such shortfall and identifying the bills and charges requiring payment, and Owner shall release reserve funds sufficient to pay same to the Operator.

8. ANNUAL BUDGETS

8.1 SUBMISSION OF BUDGETS. Operator shall prepare and submit to Owner by March 31 for Owner's approval proposed budgets of (a) the estimated income and expenses of the Property and (b) the estimated capital expenditures for the Property for the next fiscal year or other operating period as may be agreed by the parties. The proposed budgets will be maintained under accrual accounting procedures or such basis as prescribed, in writing, by Owner. Operator will provide an explanation for the numbers used in such budgets. Operator shall make available executive personnel to discuss the proposed budget at a minimum of one meeting of FORA Board of Directors and other meetings as requested.

8.2 SUBMISSION OF OTHER REPORTS. When submitting such proposed budgets, Operator shall also include: rental rate recommendations with analysis if appropriate; a listing of all capital improvement and all repair, maintenance, renovation and replacement expenditures (together with estimated costs for each item) anticipated to be made in the upcoming operating period; a payroll analysis including a salary or wage description for every on-site employee, including any fringe benefits reimbursable hereunder, of Operator whose compensation is reimbursable hereunder;

8.3 APPROVAL OF BUDGETS. If Operator submits a timely budget recommendation, and Owner does not disapprove it in writing before July 1, Operator's proposed budget is deemed approved. If an annual budget has not been approved by that date, Operator shall continue to operate the Property under the approved budget for the previous year until Operator and Owner can

agree on the new budget or the termination of this Agreement.

8.4 COMPLIANCE WITH BUDGETS. Approved budgets shall be used by Operator as a guide for the actual operation of the Property. Approval shall be required to exceed any expense which exceeds the budgeted annual amount for that line item. Notwithstanding the foregoing, any increase in a Property expense which does not increase the budgeted amounts for such expense by more than 5% and which, when combined with any decreases in budgeted amounts made by Operator, does not cause an increase in the overall budget, shall not require approval.

8.5 SUBJECT TO IMPLEMENTATION AGREEMENT. Owner and Operator acknowledge that lease revenues from the Property are subject to the Implementation Agreement dated May 1, 2001 ("Implementation Agreement") by and between FORA and the City of Marina. Operator acknowledges the previous receipt of a copy of the Implementation Agreement. Operator shall notify Owner of changed financial conditions to allow Owner to determine compliance with the Implementation Agreement. Owner shall indemnify, defend and hold Operator, its officers, agents and employees, harmless from any cost, damage, claim, liability, suit, cause of action or other legal proceedings which may be brought or claimed against Operator as a result of the Implementation Agreement as set forth in this Section 8.5.

9. GENERAL PROVISIONS

9.1 RELATIONSHIP. Contracts entered into by Operator with respect to the Property as provided for, and consistent with, this Agreement shall be the obligations of Owner. Owner agrees to indemnify, defend and hold harmless Operator from any liability or claims arising from such contracts. Operator agrees that to the extent Operator deems it necessary or prudent to have separate counsel from that of Owner, Operator shall bear all fees, costs, and expenses associated therewith.

Operator and Owner shall not be construed as joint venturers or partners, and neither shall have the power to bind or obligate the other party except as set forth in this Agreement. Operator understands and agrees that the relationship with Owner is that of independent contractor working on behalf of Owner and that it will not represent to anyone that its relationship to Owner is other than that of independent contractor. Notwithstanding the foregoing, Operator acknowledges and understands that it is acting as agent of Owner and as such owes Owner the duties a reasonable investor would expect if managing his own property.

9.2 ASSIGNMENT. This agreement shall not be assigned by Operator without the prior written approval of Owner which approval may be withheld in Owner's sole and absolute discretion.

9.3 BENEFITS AND OBLIGATIONS. Subject to the provisions of Section 9.2 above, the covenants and agreements herein contained shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, executors, successors, and assigns.

9.4 INDEMNIFICATION.

9.4.1 Operator shall indemnify, hold harmless and defend Owner, its officers, and employees, with counsel reasonably satisfactory to Owner, for, from and against any and all liabilities, claims, causes of action, losses, demands and expenses whatsoever including, but not limited to attorneys' fees, court costs and other litigation expenses and costs arising out of or in connection with the maintenance or operation of the Property or this Agreement (collectively the "Claims"), except to the extent arising directly from the gross negligence or willful misconduct of Owner and the loss of use of property following and resulting from damage or destruction. The indemnification by Operator contained in this Section 9.4 is in addition to any other indemnification obligations of Operator contained in this Agreement. Owner shall approve the liability insurance coverage procured by Operator, and, once approved, Owner shall not be entitled to assert the inadequacy, in any respect, of the coverage. Operator's defense and indemnity obligation set forth in this Section 9.4.1 shall not apply to Claims that are not covered under the commercial general liability insurance policy procured by Operator pursuant to Section 4.2.6.2 of this Agreement unless Operator has engaged in gross negligence or willful misconduct.

9.4.2 Owner shall indemnify Operator (and Operator's affiliates, partners, directors, shareholders, officers, employees and agents) with counsel for, from and against any and all Claims which arise out of the gross negligence or willful misconduct of Owner.

9.4.3 The indemnification and hold harmless obligations of the parties in this Section 9.4 shall survive the expiration or earlier termination of this Agreement.

9.5 NOTICES. All notices provided for in this Agreement shall be in writing and served by registered or certified mail, postage prepaid, at the following addresses until such time as written notice of a change of address is given to the other party:

TO OWNER: FORT ORD REUSE AUTHORITY
Attention: Executive Officer
920 2nd Ave., Suite A
Marina, California 93933

TO OPERATOR: ALLIANCE RESIDENTIAL, LLC
Attn: James M. Krohn
2415 East Camelback Road, Suite 600
Phoenix, Arizona 85016

9.6 ENTIRE AGREEMENT. This Agreement represents the entire agreement between the parties with respect to the subject matter hereof. No alteration, modification, or interpretation of this Agreement shall be binding unless in writing and signed by both parties. Titles of articles, sections and paragraphs are for convenience only and neither limit nor amplify the provisions of this Agreement.

9.7 **SEVERABILITY.** If any provision of this Agreement or application to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to any person or circumstance, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

9.8 **DISPUTE RESOLUTION.** Disputes arising under this agreement shall be resolved as follows:

9.8.1. *Prevention of Claims: Meet and confer (10 days)*

The parties agree that they share an interest in preventing misunderstandings that could become claims against one another under this agreement. The parties agree to attempt to identify and discuss in advance any areas of potential misunderstanding that could lead to a dispute. If either party identifies an issue of disagreement, the parties agree to engage in a face-to-face discussion of the matter within ten calendar days of the initial written request. If the parties are unable to amicably resolve such disagreements or misunderstandings, they agree to enlist the informal assistance of a third party (who is mutually acceptable to both parties) to help them reach an accord. The cost of engaging any third party for the informal assistance described in the preceding sentence shall be shared equally by the parties. If any disagreement remains unresolved for ten days after delivery of the written request to engage in face-to-face discussions, the parties agree to submit it to mediation in accordance with the provisions set forth in Section 9.8.2.

9.8.2. *Mediation (60 days)*

Either party may demand, and shall be entitled to, mediation of any dispute arising under this agreement at any time after completing the meet and confer process described in subsection (a). Mediation shall commence not more than thirty (30) days after the initial mediation demand and must be concluded not more than sixty (60) days after the date of the first mediation demand. If mediation is not concluded within that time, then either party may demand arbitration.

Mediation shall be submitted first to a mediator with at least ten years experience in real estate management or related field. The mediator shall be selected by mutual agreement of the parties. Failing such mutual agreement, a mediator shall be selected by the presiding judge of the Monterey County Superior Court. The cost of the mediator shall be shared equally by the parties. In the interest of promoting resolution of the dispute, nothing said, done or produced by either party at the mediation may be discussed or repeated outside of the mediation or offered as evidence in any subsequent proceeding. The parties acknowledge the confidentiality of mediation as required by Evidence Code 1152.5.

No mediator shall submit, and no arbitrator or court shall consider, any mediator recommendations, declarations, or findings unless the parties give their written consent to the proposed mediator statement.

9.8.3. *Arbitration (90 days)*

If mediation fails to resolve the dispute, the mediator shall become the arbitrator, and shall proceed to dispose of the case under such rules or procedures as he or she shall select. If the mediator is unable or unwilling to serve as arbitrator, the parties shall select an arbitrator by mutual agreement. Failing such agreement, the arbitrator shall be selected by the Presiding Judge of the Superior Court. The decision of the arbitrator shall be final and not subject to judicial litigation. The cost of the arbitrator shall be shared equally by the parties.

Arbitration shall be commenced within sixty (60) days of the arbitration demand and concluded within ninety (90) days of arbitration demand.


With respect to monetary disputes only, arbitration shall follow the so-called "baseball arbitration" rule in which the arbitrator is required to select an award from among the final offers presented by the contending parties. The arbitrator may not render an award that compromises between the final offers.

Unless the arbitrator selects another set of rules, the arbitration shall be conducted under the J.A.M.S. Endispute Streamlined Arbitration Rules and Procedures, but not necessarily under the auspices of J.A.M.S. Upon mutual agreement, the parties may agree to arbitrate under an alternative scheme or statute. The Arbitrator may award damages according to proof. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction.

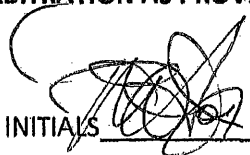
NOTICE: IN AGREEING TO THE FOREGOING PROVISION, YOU ARE WAIVING YOUR RIGHT TO HAVE YOUR RIGHTS UNDER THIS AGREEMENT TRIED IN A COURT OF LAW OR EQUITY. THAT MEANS YOU ARE GIVING UP YOUR RIGHT TO TRIAL BY JUDGE OR JURY. YOU ARE ALSO GIVING UP YOUR RIGHT TO DISCOVERY AND APPEAL EXCEPT AS PROVIDED IN THE ARBITRATION RULES. IF YOU REFUSE TO ARBITRATE YOUR DISPUTE AFTER A PROPER DEMAND FOR ARBITRATION HAS BEEN MADE, YOU CAN BE FORCED TO ARBITRATE OR HAVE AN AWARD ENTERED AGAINST YOU BY DEFAULT. YOUR AGREEMENT TO ARBITRATE IS VOLUNTARY.

BY INITIALING THIS PROVISION BELOW, THE PARTIES AFFIRM THAT THEY HAVE READ AND UNDERSTOOD THE FOREGOING ARBITRATION PROVISIONS AND AGREE TO SUBMIT ANY DISPUTES UNDER THIS AGREEMENT TO NEUTRAL BINDING ARBITRATION AS PROVIDED IN THIS AGREEMENT.

ALLIANCE'S' INITIALS



FORA'S: INITIALS



9.8.4. *Attorney's Fees.*

If arbitration or suit is brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover as an element of costs of suit, and not as damages, a reasonable attorneys' fee to be fixed by the arbitrator or Court. The "prevailing party" shall be the party entitled to recover costs of suit, whether or not the suit proceeds to arbitrator's award or judgment. A party not entitled to recover costs shall not recover attorneys' fees. No sum for attorneys' fees shall be counted in calculating the amount of an award or judgment for purposes of determining whether a party is entitled to recover costs or attorneys' fees.

If either party initiates litigation without first participating in good faith in the alternative forms of dispute resolution specified in this agreement, that party shall not be entitled to recover any amount as attorneys' fees or costs of suit even if such entitlement is established by statute.

9.9 APPLICABLE LAW. This agreement shall be construed and enforced in accordance with the laws of the State of California. Venue shall take place in the County of Monterey, State of California.

9.10 OPERATOR. The term "Operator" as used in this Agreement shall include any corporate subsidiaries or affiliates of Operator who perform service, in, on or about the Property in connection with this Agreement.

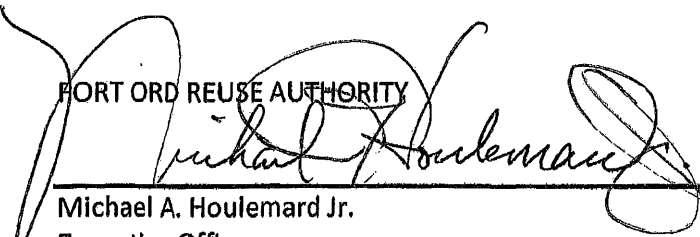
9.11 NON-WAIVER. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided in this Agreement.

9.12 HEADINGS. All headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

9.13 INTERPRETATION. This Agreement has been negotiated by and between representatives of the parties hereto and their staffs, all persons knowledgeable in the subject matter of this Agreement, which was then reviewed by the respective legal counsel of each party. Accordingly, any rule of law (including Civil Code §1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement.

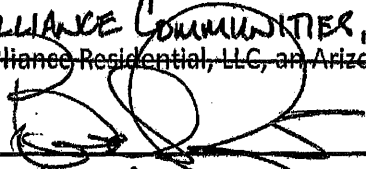
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

FORT ORD REUSE AUTHORITY



Michael A. Houlemard Jr.
Executive Officer

ALLIANCE COMMUNITIES, Inc., A DELAWARE CORPORATION
~~Alliance Residential, LLC, an Arizona Limited Liability Company~~



By **BRAD CRISSINS**
CHIEF OPERATING OFFICER

EXHIBIT A
Preston Park Management Agreement

SCOPE OF SERVICES

Manage, direct and supervise using commercially reasonable efforts, all aspects of property management for Preston Park which includes, but is not limited to:

- 1 Placement of residents in residential apartment homes with appropriate leases and addendums as prudent or required by law.
- 2 Collect all monthly rents and fees. Institute legal action for the collection of monies owed. Administer rent increases in close cooperation with FORA.
- 3 Maintain community standards of physical and social environment, while keeping within budget guidelines. Respond to requests for maintenance by tenants and FORA promptly. Schedule and conduct annual unit inspections and follow-up annual inspections with corrective work where required.
- 4 Hire, train and supervise all staff needed to effectively manage the community and provide a description of the staffing plan to Owner. Maintain access to multilingual resources to assist with applicants and tenants of Limited English Proficiency, said access may be accomplished through a 'language hotline' or similar service so long as it's responsive to the needs of Owner, applicants and tenants.
- 5 Develop and maintain a list of qualified prospective renters. Develop and maintain a list of backup renters. Accept applications for apartment homes and maintain eligibility standards. Maintain preference lists as specified. Seek to maintain full occupancy with a minimum of vacancies.
- 6 Prepare an affirmative fair housing marketing plan. Prepare and circulate marketing materials; e.g. advertisements, brochures, displays, disclosure documents, contracts and program web site. Participate in community meetings as requested.
- 7 Analyze and review financial requirements for operations with Owner; prepare annual budget recommendations for Owner. Work within the approved budget; obtain Owner authorization for variances from the budget. Analyze and prepare multi-year capital improvements plan and make recommendations to Owner about financing and implementation of the plan.
- 8 Develop and implement written office procedures; train and supervise office and leasing personnel.
- 9 Maintain financial records including, but not limited to, the tracking of receipts and deposits, journal entries, bank deposits, accounts payable and accounts receivable.

- Generate monthly financial reports. Prepare required periodic reports to Owner.
- 10 Report periodically to Owner to ensure that Owner is properly informed (through regular contact and periodic formal meetings) as to the current status of all operations so that the Owner may make proper and timely decisions on all strategic matters.
 - 11 Manage the selection process for outside contractors including landscaping, trash removal, pest control, custodial, etc; prepare recommendations for Board approval. Continually inspect property, recording deficiencies and taking necessary action within budgetary allocations.
 - 12 Prepare tenant handbook and circulate written communications to tenants periodically, such as quarterly newsletter, in format and content approved by the Owner. Participate in meetings and events with tenants as requested.
 - 13 Explore opportunities for coordination/joint programs with housing developments at California State University-Monterey Bay.
 - 14 Other duties as needed.

EXHIBIT B

AFFORDABLE RENTAL RATES

Rates may be established each year.

EXHIBIT "C"

Preston Park Management Agreement

MANAGEMENT STRUCTURE

Every year on June 1, Alliance will provide the names of the people associated with the management positions as described on the organization chart.

The Senior Management Team for Preston Park:

Corinne Carmody, Regional Manager

Steve Keller, Regional Maintenance Supervisor

Amy Corcoran, Regional Training Manager

Jennifer Barrett, Regional Marketing Manager

Annette Thurman, Vice President of Operations

Corinne Carmody, Regional Manager, has an office in Walnut Creek, California. She will be at the communities at least two days a week or to the extent mutually agreed upon by Owner and Operator. Corinne will be responsible for all compliance training related to the approved below market rate rental program.

Steve Keller, Regional Maintenance Supervisor, will perform monthly site inspections in addition to overseeing any capital projects that require completion. Steve will spend no less than one day per month at the community and possibly more depending on the capital project requirements.

Amy Corcoran and Jennifer Barrett, Regional Training Manager and Regional Marketing Manager, shall provide leasing and customer service training and marketing resources. Amy and Jennifer are also available on an as needed basis for one-on-one training.

Annette Thurman, Vice President of Operations, will be at the site no less than once per month.

The team above is available to meet with FORA as needed. Owner is to provide operator with an annual calendar of expected meetings during transition period.

EXHIBIT D

Preston Park Management Agreement

TENANT GRIEVANCE PROCEDURE

Note: All resident issues will be resolved within the guidelines set by FORA, Alliance Communities Inc., and State and Federal Fair Housing Laws.

12-15-10

PRESTON PARK

GRIEVANCE PROCEDURE

I. Definitions applicable to the grievance procedure

- A. Grievance: Any dispute pertaining to a lease violation, maintenance charge or other disagreements with respect to Management's action or failure to act in accordance with the individual Tenant's lease or Management's Policies or regulations that adversely affects the individual Tenant's rights, duties, welfare or status.
- B. Elements of due process: An eviction action or a termination of tenancy in a State court in which the following procedural safeguards are required:
 - 1. Adequate notice to the Tenant of the grounds for terminating the tenancy and for eviction;
 - 2. Right of the Tenant to be represented by counsel;
 - 3. Opportunity for the Tenant to refute the evidence presented by Management, including the right to confront and cross examine witnesses and to present any affirmative legal or equitable defense which the Tenant may have;
 - 4. A decision on the merits of the case.
- C. Hearing Officer: A neutral party selected by FORA to hear grievances and render a decision. FORA has selected the Conflict Resolution and Mediation Center of Monterey County to be the Hearing Officer for grievances at Preston Park. If the Mediation Center of Monterey County is not available for the Grievance Hearing, FORA shall choose another Hearing Officer who is a neutral third party not involved in the management decisions at Preston Park and has experience and knowledge of management practices and procedures for comparable properties and has experience in mediation.
- D. Tenant: The adult person (or persons other than a live-in aide) who resides in the unit at Preston Park and who executed the lease with Alliance Residential or its predecessor(s).
- E. Management: The property management company for Preston Parks is Alliance Residential.
- F. Management Policies: Rules and/or regulations contained within the Tenant's valid and most

recent lease and any subsequent amendments thereto.

G. Working days: For the purpose of these procedures, working days means the scheduled working days of FORA.

H. Tenant's designated representative: A person that the Tenant has designated in writing to represent him/her in this grievance procedure or a legal document naming a person that represents the Tenant in such matters. The written designation along with the address and contact information for designated representative shall be placed in the Tenant's file. All correspondence related to this grievance procedure shall be distributed to both the Tenant and the designative representative.

II. Applicability of this grievance procedure

The purpose of this Grievance Procedure is to set forth the requirements, standards and criteria to assure that Tenants of Preston Parks have a procedure to dispute an act or failure to act by Management (see above for definition of grievance). The Grievance Procedure only applies to grievances lodged by Tenants who lived at Preston Park at the time the alleged dispute occurred.

This grievance procedure shall be applicable to all individual grievances (as defined in Section I above) between a Tenant and Management. The right to a grievance shall apply to disputes over the application of Management's policies to the detriment of a Tenant but shall not apply to the Management policies, class action lawsuits or evictions. Management policies may be discussed with the designated FORA staff representative. Class action lawsuits and evictions are heard in a court of law and receive due process in that manner.

The grievance procedure may not be used as a forum for initiating or negotiating policy changes between a group or groups of tenants and FORA. Such requests may be made to the designated FORA staff representative.

III. Filing a Grievance and Informal Meeting

Any grievance must be made in writing at the Alliance Residential Management Office, located at 682 Wahl Court, Marina, CA 93933, **within twenty (20) working calendar days after the grievable event.**

As soon as the grievance is received it will be reviewed by Management to be certain that neither of the exclusions in Paragraph II applies to the grievance. Should one of the exclusions apply, the Tenant or designated representative will be notified in writing that the matter raised is not subject to this grievance procedure, with the reason(s), that the grievance is dismissed and appropriate venue for the Tenant or designated representative to contact.

If neither of the exclusions cited above apply, the Tenant or designated representative will be contacted **within ten (10) working days** to arrange a mutually convenient time to meet so the grievance may be discussed informally and resolved. Management will assign a Staff Representative (usually the Business Manager) to meet with Tenant or designated representative to discuss the

grievance informally and attempt to resolve the matter without a further hearing. At this informal meeting the Tenant or designated representative will present the grievance and the Staff Representative will attempt to resolve the grievance to the satisfaction of both parties.

Within **five (5) working days following the informal meeting**, Management shall prepare and either hand deliver or mail to the Tenant or designated representative a summary of the discussion that must specify: the names of the Tenant(s) and all participants at the meeting, the date(s) of meetings, the nature of the grievance, the proposed disposition of the grievance and the specific reasons, and the Tenant's rights to a Grievance Hearing, and, if not satisfied with the disposition of the grievance, the procedure to either respond and have comments placed in the Tenants file or request a Grievance Hearing. A copy of this summary shall also be placed in the Tenant's file. A receipt signed by the Tenant or designated representative or return receipt for delivery of certified mail, whether signed or unsigned, will be sufficient proof of time of delivery for the summary of the informal discussion.

IV. Grievance Hearing

If the Tenant is dissatisfied with the proposed disposition of the grievance arrived in the informal meeting, the Tenant or designated representative may submit a written request for a Grievance Hearing no later than **ten (10) working days after the summary of the informal meeting is received**.

A Tenant's request for a Grievance Hearing shall be addressed to the Regional Manager c/o Alliance Residential, 682 Wahl Court, Marina, CA 93933. The written request shall specify:

- The factual basis for the grievance, including any sections of the Tenant's lease or written Management policies allegedly violated;
- The action of relief sought from Management; and
- Several dates and times in the following fifteen (15) working days when the Tenant or designated representative can attend a grievance hearing.

If the Tenant or designated representative requests a Grievance Hearing in a timely manner, Management shall schedule a hearing on the grievance at the earliest time possible for the Tenant or designated representative, Management and the Hearing Officer. A written notice specifying the time, place and procedures governing the hearing will be either hand delivered or mailed to the Tenant or designated representative.

If the Tenant or designated representative fails to request a Grievance Hearing **within ten (10) working days** after receiving the proposed disposition of the grievance, Management's decision rendered at the informal meeting becomes final and Management is not obligated to offer the Tenant or designated representative a Grievance Hearing unless the Tenant or designated representative can show good cause why s/he failed to proceed in accordance with the procedure. Failure to request a Grievance Hearing does not affect the Tenant's right to contest the Management's decision in court.

V. Scheduled hearing

When a or designated representative submits a timely request for a grievance hearing, Management will, **within three (3) working days**, contact the Hearing Officer to schedule the hearing on one of the dates and times indicated by the Tenant or designated representative. If the Hearing Officer is not available for one or more of the times provided by the Tenant or designated representative during those ten working days, Management will schedule a convenient time for the Grievance Hearing for all parties as soon as possible.

VI. Procedures governing the Grievance Hearing

The Tenant shall be afforded a fair hearing, which shall include:

- A. The opportunity to examine before the hearing any Management documents, including records and regulations, that are directly relevant to the hearing.
- B. The Tenant or designated representative shall be allowed to copy any such documents. If Management does not make the document available for examination, Management cannot rely on such document at the grievance hearing.
- C. The Tenant may be represented by counsel or other person chosen as the Tenant's representative, at the Tenant's expense. Management may be represented by counsel. The Tenant, or the designated representative, must be present at the scheduled hearing.
- D. The right to present evidence and arguments in support of the Tenant's complaint and to controvert evidence relied on by Management and to confront and cross examine all witnesses upon whose testimony or information Management relies; and
- E. A decision based solely and exclusively upon the facts presented at the hearing.

The hearing shall be conducted informally by the Hearing Officer. Oral or documentary evidence pertinent to the facts and issues raised by the Tenant may be received without regard to admissibility under the rules of evidence applicable to judicial proceedings provided that such information is the kind of evidence on which reasonable persons are accustomed to rely on in the conduct of serious affairs.

The Hearing Officer shall require Management, the Tenant or designated representative, counsel and other participants to conduct themselves in an orderly fashion. Failure to comply with the directions of the Hearing Officer to maintain order may result in exclusion from the proceedings.

The Hearing Officer will hear evidence provided by both the Tenant or designated representative and Management and will review appropriate policies, regulations, lease, etc.

VII. Failure to appear at the hearing

If either the Tenant or designated representative or Management fails to appear at the scheduled hearing, the Hearing Officer may postpone the hearing for another date not to exceed five (5) working days. In the event that Management fails to appear at the re-scheduled hearing, the Hearing Officer shall make his/her decision based on the record including anything submitted by the Tenant or designated representative. In the event that the Tenant or designated representative fails to appear at the re-scheduled hearing, the Tenant is deemed to have waived his/her right to a hearing.

Both the Tenant or the designated representative and Management shall be notified of the determination by the Hearing Officer; provided, that a determination that the Tenant has waived his/her right to a hearing shall not constitute a waiver of any right the Tenant may have to contest Management's disposition of the grievance in court.

VIII. Decision of the Hearing Officer

The Hearing Officer shall prepare a written decision, together with the reasons for the decision within fifteen (15) working days after the hearing. Any delay on the part of the Hearing Officer in submitting the written decision will not invalidate this process. A copy of the decision shall be sent to the Tenant or designated representative, Management and FORA. Management shall retain a copy of the decision in the Tenant's folder.

The decision of the Hearing Officer shall be binding on Management, which shall take all actions, or refrain from actions, necessary to carry out the decision unless FORA determines within ten (10) working days after receiving the written decision, and promptly notifies the Tenant or the designated representative of its determination that:

- A. The grievance does not involve Management's action or failure to act in accordance with the Tenant's lease or the property's policies, which adversely affect the Tenant's rights, duties, welfare or status.
- B. The decision of the Hearing Officer is contrary to applicable Federal, State or local law or FORA policy or regulation.

A decision by the Hearing Officer or FORA which denies the relief requested by the Tenant in whole or in part shall not constitute a waiver of, nor affect in any way, the rights of the Tenant to judicial review in any court proceedings which may be brought in the matter later.

This Grievance Procedure does not preclude the Tenant from exercising his/her rights, including those rights pertaining to alleged discrimination on the basis of race, color, creed, religion, sex, age, disability, sexual orientation, familial or marital status, ancestry or national origin.

I acknowledge that I have received a copy of this Grievance Procedure.

_____ Date _____ Signature

Print Name Address

FORT ORD REUSE AUTHORITY BOARD REPORT

NEW BUSINESS

Subject:	Consistency Determination: 2010 Monterey County General Plan	
Meeting Date:	October 11, 2013	ACTION
Agenda Number:	8c	

RECOMMENDATION(S):

Approve Resolution 13-XX (**Attachment A**), concurring in the County of Monterey's (County) legislative land use decision that the 2010 Monterey County General Plan (General Plan) is consistent with the Fort Ord Base Reuse Plan (BRP).

BACKGROUND:

The County submitted the General Plan for consistency determination on September 24, 2013 (**Attachment B**). The County requested a Legislative Land Use Decision review of the General Plan in accordance with section 8.02.010 of the Fort Ord Reuse Authority (FORA) Master Resolution. Under state law, (as codified in FORA's Master Resolution) legislative land use decisions (plan level documents such as General Plans, Zoning Codes, General Plans, Redevelopment Plans, etc.) must be scheduled for FORA Board review under strict timeframes. This item is included on the Board agenda because the General Plan is a legislative land use decision, requiring Board approval.

The FORA Administrative Committee will review this item on October 2, 2013.

DISCUSSION:

County staff will be available to provide additional information to the FORA Board on October 11, 2013. In all consistency determinations, the following additional considerations are made, and summarized in table form (**Attachment C**).

Rationale for consistency determinations FORA staff finds that there are several defensible rationales for making an affirmative consistency determination. Sometimes additional information is provided to buttress those conclusions. In general, it is noted that the BRP is a framework for development, not a precise plan to be mirrored. However, there are thresholds set in the resource constrained BRP that may not be exceeded without other actions, most notably 6,160 new residential housing units and a finite water allocation. More particularly, the rationales for consistency analyzed are:

LEGISLATIVE LAND USE DECISION CONSISTENCY FROM SECTION 8.02.010 OF THE FORA MASTER RESOLUTION

(a) In the review, evaluation, and determination of consistency regarding legislative land use decisions, the Authority Board shall disapprove any legislative land use decision for which there is substantial evidence support by the record, that:

(1) Provides a land use designation that allows more intense land uses than the uses permitted in the Reuse Plan for the affected territory;

The General Plan would not establish a land use designation that is more intense than the uses permitted in the BRP. Compared to the 1997 BRP, the General Plan increases the amount of habitat within the County's jurisdiction by 246.7 acres as a result of the December 20, 2005 Memorandum of Understanding (MOU) among the County, Monterey Peninsula College (MPC), FORA, the Bureau of Land Management (BLM), and U.S. Army, which swapped land uses between East Garrison and Parker Flats areas of the former Fort Ord. The result of the MOU is that an additional 210 acres are available for development in East Garrison in exchange for the preservation of approximately 447 additional habitat acres in Parker Flats. Also, the MOU added additional habitat acres next to the Military Operations Urban Terrain (MOUT) facility and provides for MPC to relocate a planned public safety officer training facility from the East Garrison area to the Parker Flats area. The County, FORA, and MPC entered into an October 21, 2002 agreement entitled "Agreement Regarding Public Safety Officer Training Facilities," which further describes relocation of MPC's planned facilities from the East Garrison area to the Parker Flats area.

(2) Provides for a development more dense than the density of uses permitted in the Reuse Plan for the affected territory;

No increase in density would be permitted by the General Plan.

(3) Is not in substantial conformance with applicable programs specified in the Reuse Plan and Section 8.02.020 of this Master Resolution;

The General Plan is in substantial conformance with applicable programs. FORA staff notes that a member of the public and representatives of the Ventana Chapter of the Sierra Club, Keep Fort Ord Wild, the Open Monterey Project, and LandWatch Monterey County provided correspondence at the August 27 and September 17, 2013 Monterey County Board of Supervisors hearings pertaining to consistency between the 2010 Monterey County General Plan 1997 BRP. In summary, these individual letters requested that the Monterey County Board of Supervisors not adopt the consistency finding, citing instances of incomplete policies and programs and other issues. FORA staff concurs with Exhibit 1 to Monterey County Board of Supervisors Order 13-0952/ Resolution No. 13-307 page 5 of 13 that:

Some but not all of the policies programs have been implemented. Implementation efforts are currently underway. Implementation of the Base Reuse Plan policies is a separate measure from Consistency with the Base Reuse Plan.

Special legal counsel Alan Waltner's September 3, 2013 memorandum further stated that "FORA's procedures for determining consistency correctly interpret and apply the FORA Authority Act, Government Code Sections 67650-67700 and the FORA Master Resolution."

(4) Provides uses which conflict or are incompatible with uses permitted or allowed in the Reuse Plan for the affected property or which conflict or are incompatible with open space, recreational, or habitat management areas within the jurisdiction of the Authority;

The General Plan is compatible with open space, recreational, and habitat management areas.

(5) Does not require or otherwise provide for the financing and/or installation, construction, and maintenance of all infrastructure necessary to provide adequate public services to the property covered by the legislative land use decision;

County development within the former Fort Ord that is affected by the General Plan will pay its fair share of the basewide costs through the FORA Community Facilities District special tax and tax increment that will accrue to FORA, as well as land sales revenues. This is evidenced in Exhibit 1 to Monterey County Board of Supervisors Order 13-0952/Resolution No. 13-307 page 6 of 13 and the May 8, 2001 Implementation Agreement between FORA and County of Monterey.

(6) Does not require or otherwise provide for implementation of the Fort Ord Habitat Management Plan;

The Fort Ord Habitat Management Plan (HMP) designates certain parcels for "Development," in order to allow economic recovery through development while promoting preservation, enhancement, and restoration of special status plant and animal species in designated habitats. The General Plan affects lands that are located within areas designated for "Habitat Reserve," "Habitat Corridor," "Development with Reserve Areas and Restrictions," and "Development with no Restrictions" under the HMP. Lands designated as "Development with no Restrictions" have no management restrictions placed upon them as a result of the HMP. The General Plan requires implementation of the Fort Ord HMP.

(7) Is not consistent with the Highway 1 Design Corridor Design Guidelines as such guidelines may be developed and approved by the Authority Board; and

The General Plan would not modify Highway 1 Design Corridor Design Guidelines.

(8) Is not consistent with the jobs/housing balance requirements developed and approved by the Authority Board as provided in Section 8.02.020(t) of this Master Resolution.

The General Plan is consistent with the jobs/housing balance approved by the FORA Board.

Additional Considerations

(9) Is not consistent with FORA's prevailing wage policy, section 3.03.090 of the FORA Master Resolution.

The General Plan does not modify prevailing wage requirements for future development entitlements within the County's jurisdiction on former Fort Ord.

FISCAL IMPACT:

Reviewed by FORA Controller 

This action is regulatory in nature and should have no direct fiscal, administrative, or operational impact. In addition to points already dealt with in this report, it is clarified that the developments expected to be charged with reuse subject to the General Plan are covered by the Community Facilities District or other agreement that ensure a fair share payment of appropriate future special taxes/fees to mitigate for impacts delineated in the 1997 BRP and accompanying Environmental Impact Report. The County has agreed to provisions for payment of all required fees for future developments in the former Fort Ord under its jurisdiction.

Staff time related to this item is included in FORA's annual budget.

COORDINATION:

The County, Planners Working Group, Administrative Committee, and Executive Committee

Prepared by Jonathan Garcia Reviewed by Steve Endsley
Jonathan Garcia Steve Endsley
Approved by Michael A. Houlemard, Jr.
Michael A. Houlemard, Jr.

Resolution 13-XX

Determining Consistency of the 2010)
Monterey County General Plan)

THIS RESOLUTION is adopted with reference to the following facts and circumstances:

- A. On June 13, 1997, the Fort Ord Reuse Authority ("FORA") adopted the Final Base Reuse Plan under Government Code Section 67675, et seq.
- B. After FORA adopted the reuse plan, Government Code Section 67675, et seq. requires each county or city within the former Fort Ord to submit to FORA its general plan or amended general plan and zoning ordinances, and to submit project entitlements, and legislative land use decisions that satisfy the statutory requirements.
- C. By Resolution No. 98-1, the Authority Board of FORA adopted policies and procedures implementing the requirements in Government Code 67675, et seq.
- D. The County of Monterey ("County") is a member of FORA. The County has land use authority over land situated within the former Fort Ord and subject to FORA's jurisdiction.
- E. After a noticed public meeting on October 26, 2012, the County adopted the 2010 Monterey County General Plan ("General Plan"), affecting lands on the former Fort Ord. After noticed public meetings on August 27, 2013 and September 17, 2013 the County also found the General Plan is consistent with the Fort Ord Base Reuse Plan, FORA's plans and policies and the FORA Act and considered the Fort Ord Base Reuse Plan Environmental Impact Report ("EIR") in their review and deliberations.
- F. On September 24, 2013, the County recommended that FORA concur in the County's determination that FORA's Final Base Reuse Plan, certified by the Board on June 13, 1997, and the General Plan are consistent. The County submitted to FORA its General Plan together with the accompanying documentation.
- G. Consistent with the Implementation Agreements between FORA and the County, on September 24, 2013, the County provided FORA with a complete copy of the submittal for lands on the former Fort Ord, the resolutions and/or ordinance approving it, a staff report and materials relating to the County's action, a reference to the environmental documentation and/or CEQA findings, and findings and evidence supporting its determination that the General Plan is consistent with the Fort Ord Base Reuse Plan and the FORA Act (collectively, "Supporting Material"). The County requested that FORA certify the General Plan as being consistent with the Fort Ord Base Reuse Plan for those portions of the County that lie within the jurisdiction of FORA.
- H. FORA's Executive Officer and the FORA Administrative Committee reviewed the County's application for consistency evaluation. The Executive Officer submitted a report recommending that the FORA Board find that the General Plan is consistent with the Fort Ord Base Reuse Plan. The Administrative Committee reviewed the

Supporting Material, received additional information, and concurred with the Executive Officer's recommendation. The Executive Officer set the matter for public hearing regarding consistency of the General Plan before the FORA Board on October 11, 2013.

- I. Master Resolution, Chapter 8, Section 8.02.010(a)(4) reads in part: "(a) In the review, evaluation, and determination of consistency regarding legislative land use decisions, the Authority Board shall disapprove any legislative land use decision for which there is substantial evidence supported by the record, that [it] (4) Provides uses which conflict or are incompatible with uses permitted or allowed in the Reuse Plan for the affected property..."
- J. In this context, the term "consistency" is defined in the General Plan Guidelines adopted by the State Office of Planning and Research as follows: "An action, program, or project is consistent with the general plan if, considering all its aspects, it will further the objectives and policies of the general plan and not obstruct their attainment."
- K. FORA's consistency determination must be based upon the overall congruence between the submittal and the Reuse Plan, not on a precise match between the two.

NOW THEREFORE be it resolved:

1. The FORA Board recognizes the County's August 27, 2013 and September 17, 2013 recommendation that the FORA Board find consistency between the Fort Ord Base Reuse Plan and the General Plan.
2. The Board has reviewed and considered the Fort Ord Base Reuse Plan Final Environmental Impact Report and the County's environmental documentation, concluding that it is adequate and complies with the California Environmental Quality Act. The Board finds further that these documents are sufficient for purposes of FORA's determination for consistency of the General Plan.
3. The Board has considered the materials submitted with this application, the recommendation of the Executive Officer and Administrative Committee concerning the application and oral and written testimony presented at the hearings on the consistency determination, which are hereby incorporated by reference.
4. The Board finds that the General Plan is consistent with the Fort Ord Base Reuse Plan. The Board further finds that the legislative decision made herein has been based in part upon the substantial evidence submitted regarding allowable land uses, a weighing of the Base Reuse Plan's emphasis on a resource constrained sustainable reuse that evidences a balance between jobs created and housing provided, and that the cumulative land uses contained in the County's submittal are not more intense or dense than those contained in the Base Reuse Plan.

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5. The General Plan will, considering all its aspects, further the objectives and policies of the Final Base Reuse Plan. The County application is hereby determined to satisfy the requirements of Title 7.85 of the Government Code and the Fort Ord Base Reuse Plan.

Upon motion by _____, seconded by _____, the foregoing Resolution was passed on this 11th day of October, 2013, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

Jerry Edelen, Chair

Michael A. Houlemard, Jr., Secretary

MONTEREY COUNTY RESOURCE MANAGEMENT AGENCY

Attachment B to Item 8c
FORA Board Meeting, 10/11/2013

Planning Department
Mike Novo, AICP, Director of Planning

168 West Alisal Street, 2nd Floor
Salinas, CA 93901
(831) 755-5025
Fax: (831) 757-9516
www.co.monterey.ca.us/rma



September 24, 2013

Jonathan Garcia, Senior Planner
Fort Ord Reuse Authority
920 2nd Ave., Suite A
Marina, CA 93933

**SUBJECT: REQUEST FOR FORA CONSISTENCY DETERMINATION ON THE
2010 MONTEREY COUNTY GENERAL PLAN PURSUANT TO FORA MASTER
RESOLUTION, ARTICLE 8.01.020**

Dear Mr. Garcia,

On October 26, 2010 the Board of Supervisors of the County of Monterey adopted a comprehensive General Plan update (2010 General Plan) (Resolution 10-291). The 2010 General Plan now governs the future physical development of the unincorporated areas of the County of Monterey, excluding the Coastal Areas, but including most of the Former Fort Ord. As it relates to property in the territory of the Authority to the Executive Officer, the 2010 General Plan contains the Fort Ord Master Plan (in Chapter 9-E). The Fort Ord Master Plan is essentially the same as the 2001 Fort Ord Master Plan that was adopted by the County and found consistent by the Fort Ord Reuse Authority Board on January 18, 2002 (FORA Resolution #02-3) with some minor updates and amendments including:

- Recognition of the Land Swap Agreement
- Re-insertion of policies missing from the 2001 plan; and
- Updates to policies regarding the landfill parcel, East Garrison, and the York Road Planning area to reflect more recent events.

In February of 2012, the County submitted a package, with a formal request for a consistency determination to the Fort Ord Reuse Authority. That package included 1 hard copy and 5 CD's with the following documents and information:

- **Attachment 1** – The adopted 2010 General Plan
- **Attachment 2** – CEQA documents including:
 - a. Draft EIR
 - b. Final EIR; and
 - c. Supplemental Information to the FEIR
- **Attachment 3** – Reports and Resolutions
 - a. Planning Commission Staff Report and Resolution from August 11, 2010
 - b. Board of Supervisors Staff Report and Resolutions (10-290 and 10-291)

- **Attachment 4** – Fort Ord Master Plan redline version showing changes to text from the previously adopted and certified County version of the Fort Ord Base Reuse Plan.
- **Attachment 5** – Consistency Analysis

The County's consistency determination request was placed on hold while the County processed the consistency findings and certification required by the FORA Master Resolution. Between the time of the original submittal and the submittal of this information, the County has amended the 2010 General Plan three times. Because of these amendments, the County would like to ensure that FORA is working with, and considering consistency of, the most recent version of the General Plan. The updated sections of the General Plan along with the EIR Addendums prepared for those amendments are included in this revised submittal. In total, this revised submittal contains the following documents and information:

- **Amendments to Attachment 1 (The 2010 General Plan)** –
 - Updated Carmel Valley Master Plan Chapter (Chapter 9-B of the General Plan)
 - Updated Public Services Chapter (Chapter 5 of the General Plan)

These replace the chapters in the previously submitted General Plan. Note: The third amendment involved a land use designation change on a parcel in southern Monterey County and did not have any effect on Fort Ord Territory.
- **Additions to Attachment 2 (CEQA Documents)** – Addendums to the General Plan EIR were prepared for the General Plan amendments listed above.
 - Addendum 1 – (For Amendment to Chapter 5 of 2010 General Plan)
 - Addendum 2 – (for Amendment to Carmel Valley Master Plan)
 -
- **Additions to Attachment 3 (Reports and Resolutions)** – Two new Board of Supervisors Board Reports and Resolutions certifying that the 2010 General Plan is consistent with the Base Reuse Plan:
 - September 17, 2013 Board Report and Resolution affirming and updating the August 27, 2013 decision (Resolution # 13-0952)
 - August 27, 2013 Board Report and Resolution (Resolution # 13-0290)
 - Board Report for September 17, 2013 Public Hearing
- **Amended Attachment 5 (Consistency Analysis)** – A new and updated consistency analysis was attached to the August 27 and September 17 Board Resolutions. That analysis is the same in both reports.
- **New Attachment 6 (Public Comment)** – New comments and correspondence received on for the August 27 and September 17 Board of Supervisors hearing on the consistency certification.
 - Letter from Sierra Club – Ventana Chapter – September 16, 2013
 - Letter from Law Offices of Michael Stamp – September 17, 2013
 - Letter from Jane Haines -- September 16, 2013
 - Letter from Jane Hainse – August 26, 2013

- o Letter from MR Wolfe – August 26, 2013 (Attachement D of September 17, 2013 Board Report.

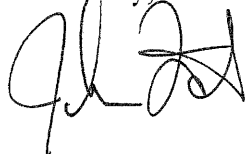
As was the case with the first, submitted with this letter is one hard copy and 5 CD's with the updated information listed above. All of the documents from the original submittal and the updated submittal can be found by following the link below:

www.co.monterey.ca.us/planning/gpu/GPU_2007/2010_Mo_Co_General_Plan_Adopted_102610/2010_Mo_Co_General_Plan_Adopted_102610.htm

This link will take you to the page for the 2010 General Plan, which provides links to the EIR and all addendums and a link directly to the material submitted as part of this package.

We would be happy to provide FORA staff and the FORA Board with any additional information deemed necessary to complete the Consistency Determination review. We look forward to working with you on this and should you have any questions regarding this submittal please contact Craig Spencer at (831) 755-5233 or John Ford at (831) 755-5158.

Sincerely,



FOR

Craig W. Spencer, Associate Planner
Monterey County – Planning Department
Email: spencerc@co.monterey.ca.us

Attachments

A Master Resolution Section	Finding of Consistency	Justification for finding
Does not provide for a land use designation that allows more land uses than the uses permitted in the Reuse Plan for the affected territory;	Yes	The General Plan does not establish land use designations more intense than permitted in the Base Reuse Plan ("BRP"). See Exhibit 1 to Monterey County Board of Supervisors Order 13-0952/Resolution No. 13-307 (Reso. 13-307) page 5 of 13.
(2) Does not provide for a development more dense than the density of uses permitted in the Reuse Plan for the affected territory;	Yes	The General Plan does not allow denser development than permitted in the BRP. See Reso. 13-307 page 5 of 13.
(3) Is in substantial conformance with applicable programs specified in the Reuse Plan and Section 8.02.020 of this Master Resolution.	Yes	The General Plan is in compliance with applicable programs. See Reso. 13-307 page 5 of 13.
(4) Does not provide uses which conflict with or are incompatible with uses permitted or allowed in the Reuse Plan for the affected property or which conflict with or are incompatible with open space, recreational, or habitat management areas within the jurisdiction of the Authority;	Yes	No conflict or incompatibility exists between the General Plan and BRP. See Reso. 13-307 page 6 of 13.
(5) Requires or otherwise provides for the financing and/or installation, construction, and maintenance of all infrastructure necessary to provide adequate public services to the property covered by the legislative land use decision;	Yes	The General Plan does not modify County obligations to contribute to basewide costs. See Reso. 13-307 page 6 of 13.
(6) Requires or otherwise provides for implementation of the Fort Ord Habitat Management Plan ("HMP").	Yes	The General Plan provides for HMP implementation. See Reso. 13-307 page 6 of 13.
(7) Is consistent with the Highway 1 Scenic Corridor design standards as such standards may be developed and approved by the Authority Board.	Yes	The General Plan does not modify Highway 1 Scenic Corridor design standards.
(8) Is consistent with the jobs/housing balance requirements developed and approved by the Authority Board as provided in Section 8.02.020(t) of this Master Resolution.	Yes	The General Plan is consistent with job/housing balance requirements. See Reso. 13-307 page 13 of 13.
(9) Prevailing Wage	Yes	The General Plan does not modify prevailing wage requirements.

FORT ORD REUSE AUTHORITY BOARD REPORT

OLD BUSINESS

Subject:	Contract for Legal Services - Jerry Bowden (2 nd Vote)	
Meeting Date:	October 11, 2013	ACTION
Agenda Number:	9a	

RECOMMENDATION(S):

Authorize the Executive Officer to execute an "on-call" contract for legal services with Jerry Bowden through FY 2013-14, not to exceed \$50,000 (**Attachment A**).

BACKGROUND/DISCUSSION:

In March 2013, the FORA Board selected Jon Giffen of Kennedy Archer and Giffen, LLC to serve as Authority Counsel. The approved FY 2013-14 FORA budget anticipated Mr. Bowden's participation in the preparation of Habitat Conservation Plan (HCP)/Implementation contracts and or agreements, certain ongoing litigation assistance and to perform support reviews for Authority Counsel Giffen.

The employment contract for former Authority Counsel (Jerry Bowden) expired on September 15, 2013. At the September 13, 2013 Board meeting, the Board voted 9-2 to authorize the Executive Officer to execute an "on-call" contract with Mr. Bowden. The item received majority, but not unanimous, Board support and must return for a second vote on the original motion.

FISCAL IMPACT:

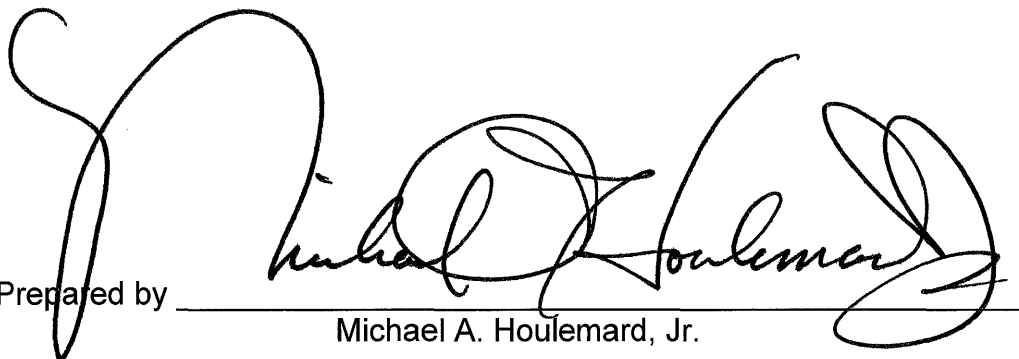
Reviewed by FORA Controller 

Staff time for this item is included in the approved FORA budget.

COORDINATION:

Executive Committee, Authority Counsel

Prepared by _____


Michael A. Houlemard, Jr.

Agreement No. FC-_____

Agreement for Professional Services

This Agreement for Professional Services (hereinafter referred to as "Agreement") is by and between the Fort Ord Reuse Authority, a political subdivision of the State of California (hereinafter referred to as "FORA") and Gerald D. Bowden (hereinafter referred to as "Consultant")

The parties agree as follows:

1. SERVICES. Subject to the terms and conditions set forth in this Agreement, Consultant shall provide FORA with Legal services as described in Exhibit "A". Such services will be on an on-call basis at the direction of the Fort Ord Reuse Authority Board of Directors and/or the Executive Officer.
2. TERM. This Agreement shall be from September 16, 2013 through June 30, 2014. The term of the Agreement may be extended upon mutual concurrence and amendment to this Agreement. It is expected that a review of the service agreement will occur after 90 days.
3. COMPENSATION AND OUT OF POCKET EXPENSES. The overall maximum amount of compensation to Consultant over the full term of this Agreement is not-to-exceed \$50,000 (Fifty Thousand Dollars) including out of pocket expenses.

FORA shall pay Consultant for services rendered pursuant to this Agreement at the times and in the manner set forth in Exhibit "A". CONSULTANT will charge \$200 per hour for services rendered.
4. FACILITIES AND EQUIPMENT. Consultant is not required to use FORA facilities or equipment for performing professional services. At the Executive Officer's request, Consultant shall arrange to be physically present at FORA facilities to provide professional services at least during those days and hours that are mutually agreed upon by the parties to enable the delivery of the services noted in the Scope of Services attached hereto in Exhibit "A."
5. GENERAL PROVISIONS. The general provisions set forth in Exhibit "B" are incorporated into this Agreement. In the event of any inconsistency between said general provisions and any other terms or conditions of this Agreement, the other term or condition shall control only insofar as it is inconsistent with the General Provisions.
6. EXHIBITS. All exhibits referred to herein are attached hereto and are by this reference incorporated herein.

IN WITNESS WHEREOF, FORA and CONSULTANT execute this Agreement as follows:

FORA

CONSULTANT

By _____	_____	By _____	_____
Michael A. Houlemard, Jr.	Date		Date
Executive Officer			

Approved as to form:

Jon Giffen, Authority Counsel

SCOPE OF SERVICES

CONSULTANT is expected to perform legal support services as follows:

1. Prepare contracts and/or enabling agreements associated with the processing of the former Fort Ord Habitat Conservation Plan (HCP) including but not limited to: Implementing Agreement, Joint Powers Authority, Trust Agreements, etc.
2. Provide review and advice regarding certain ongoing litigation and provide assistance with respect to historical context.
3. Perform support reviews as may be assigned by the Authority Counsel or Executive Officer.

It is expected that CONSULTANT will provide approximately 20 hours of services per month, depending on actual needs.

COMPENSATION: CONSULTANT is entitled to a maximum amount of \$50,000 including out-of-pocket expenses and will be compensated for services rendered in the following manner:

1. FORA agrees to pay CONSULTANT at the following hourly rate: \$200.00
2. CONSULTANT shall submit itemized monthly invoices to FORA for the period ending on the last day of each month.
3. Each invoice shall contain the hours spent and description of services provided during the billing period.
4. CONSULTANT shall be reimbursed for reasonable business expenses if consistent with FORA expense policies and IRS guidelines and directly incurred pursuant to the terms of this agreement. Invoices for expenses must contain detailed itemizations and any expense of \$50.00 or more must be accompanied by a receipt.
5. FORA shall pay CONSULTANT no later than 30 days from receiving an acceptable invoice.

CONTRACT AMENDMENTS: Any change or amendment to this Agreement must be in writing and signed by the parties to this Agreement.

GENERAL PROVISIONS

1. INDEPENDENT CONSULTANT. At all times during the term of this Agreement, CONSULTANT shall be an independent Consultant and shall not be an employee of FORA. FORA shall have the right to control CONSULTANT only insofar as the results of CONSULTANT'S services rendered pursuant to this Agreement.

2. TIME. CONSULTANT shall devote such services pursuant to this Agreement as may be reasonably necessary for satisfactory performance of CONSULTANT'S obligations pursuant to this Agreement. CONSULTANT shall adhere to the Schedule of Activities shown in Exhibit "A".

3. INSURANCE.

a. MOTOR VEHICLE INSURANCE. CONSULTANT shall maintain insurance covering all motor vehicles (including owned and non-owned) used in providing services under this Agreement, with a combined single limit of not less than \$100,000/\$300,000.

4. CONSULTANT NO AGENT. Except as FORA may specify in writing, CONSULTANT shall have no authority, express or implied to act on behalf of FORA in any capacity whatsoever as an agent. CONSULTANT shall have no authority, express or implied, pursuant to this Agreement, to bind FORA to any obligation whatsoever.

5. ASSIGNMENT PROHIBITED. No party to this Agreement may assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligation pursuant to this Agreement shall be void and of no effect.

6. PERSONNEL. CONSULTANT shall assign only competent personnel to perform services pursuant to this Agreement. In the event that FORA, in its sole discretion, at anytime during the term of this Agreement, desires the removal of any person or persons assigned by CONSULTANT. CONSULTANT shall remove any such person immediately upon receiving notice from FORA of the desire for FORA for the removal of such person or person.

7. STANDARD OF PERFORMANCE. CONSULTANT shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which CONSULTANT is engaged in the geographical area in which CONSULTANT practices his profession. All products and services of whatsoever nature, which CONSULTANT delivers to FORA pursuant to this Agreement, shall be prepared in a thorough and professional manner, conforming to standards of quality normally observed by a person practicing in CONSULTANT'S profession. FORA shall be the sole judge as to whether the product or services of the CONSULTANT are satisfactory but shall not unreasonably withhold its approval.

8. CANCELLATION OF AGREEMENT. Either party may cancel this Agreement at any time for its convenience, upon written notification. CONSULTANT shall be entitled to receive full payment for all services performed and all costs incurred to the date of receipt entitled to no further compensation for work performed after the date of receipt of written notice to cease work shall become the property of FORA.

9. PRODUCTS OF CONTRACTING. All completed work products of the CONSULTANT, once accepted, shall be the property of FORA. CONSULTANT shall have the right to use the data and products for research and academic purposes.

10. INDEMNIFY AND HOLD HARMLESS. CONSULTANT is to indemnify, defend, and hold harmless FORA, its officers, agents, employees and volunteers from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omissions, ultra-hazardous activities, activities giving rise to strict liability, or defects in design by the CONSULTANT or any person directly or indirectly employed by or acting as agent for CONSULTANT in the performance of this Agreement, including the concurrent or successive passive negligence of FORA, its officers, agents, employees or volunteers.

It is understood that the duty of CONSULTANT to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance of insurance certificates and endorsements required under this Agreement does not relieve CONSULTANT from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies have been determined to be applicable to any of such damages or claims for damages.

FORA is to indemnify, defend, and hold harmless CONSULTANT, its employees and sub-consultants, from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omissions, ultra-hazardous activities, activities giving rise to strict liability, or defects in design by FORA or any person directly or indirectly employed by or acting as agent for FORA in the performance of this Agreement, including the concurrent or successive passive negligence of CONSULTANT, its officers, agents, employees or volunteers.

11. PROHIBITED INTERESTS. No employee of FORA shall have any direct financial interest in this agreement. This agreement shall be voidable at the option of FORA if this provision is violated.

12. CONSULTANT- NOT PUBLIC OFFICIAL. CONSULTANT possesses no authority with respect to any FORA decision beyond the rendition of information, advice, recommendation or counsel.

FORT ORD REUSE AUTHORITY BOARD REPORT

OLD BUSINESS

Subject:	Environmental Services Cooperative Agreement (ESCA) Update	
Meeting Date:	October 11, 2013	INFORMATION
Agenda Number:	9b	

RECOMMENDATION(S):

Receive a report from FORA staff on the status of the FORA Environmental Services Cooperative Agreement (“ESCA”).

BACKGROUND:

The U.S. Army (“Army”) and FORA entered into negotiations to execute an Army-funded Environmental Services Cooperative Agreement (“ESCA”) in Spring 2005 leading to the transfer of 3,340 acres of former Fort Ord prior to regulatory environmental sign-off. The Army awarded FORA approximately \$98 million in early 2007 to perform munitions cleanup on the ESCA parcels. FORA also entered into an Administrative Order on Consent (“AOC”) with U.S. Environmental Protection Agency (“EPA”) and California Department of Toxic Substance Control (“DTSC”) defining conditions under which FORA undertakes responsibility for the Army remediation of the ESCA parcels.

In order to complete the AOC defined work, FORA entered into a Remediation Services Agreement (“RSA”) with LFR Inc. (now “ARCADIS”) to provide Munitions and Explosives of Concern (“MEC”) remediation services and executed a Cost-Cap insurance policy for this remediation work through American International Insurance Group (“AIG”). FORA received the property after EPA approval and concurrence by the Governor of California. The Governor concurred in the transfer of the ESCA parcels in August 2008 under a Finding of Suitability for Early Transfer. The ESCA property was subsequently transferred to FORA ownership on May 8, 2009.

The ESCA Remediation Program (“RP”) has been underway for approximately six years. Currently, the known ESCA RP field work has been completed, pending Regulatory Agency review.

DISCUSSION:

The ESCA allows FORA, acting as the Army’s contractor, to address safety issues resulting from previous munitions training operations conducted at the former Fort Ord. This provides for the ESCA to successfully address three major concerns: 1) requirement for yearly appropriation of federal funding; 2) state, federal regulatory questions about protectiveness of previous actions; and 3) FORA’s desire to reduce, to the extent possible, continuing risk to individuals accessing the site.

FORA’s cost of performance was paid with a grant from the Army. Under the ESCA grant agreement with the U.S. Army, FORA received a \$97.7 million grant to clear munitions and to secure regulatory approval from approximately 3,340 acres on the former Fort Ord. FORA subsequently entered into a guaranteed fixed-price contract with LFR (now

“ARCADIS”) to complete the work. As part of the contract between FORA and LFR, an insurance policy was secured from AIG (formerly “AIG” then “Chartis” and now “AIG” again) for which FORA paid \$82.1 million upfront from grant funds. This policy provides the funds that AIG uses to pay ARCADIS for the work performed.

AIG also provides insurance for up to \$128 million to address additional work for both known and unknown site conditions, if needed. That means there are extra funds in place to assure that the scope of work is completed to the satisfaction of the Regulators; and AIG monitors/approves ARCADIS expenditures in meeting AOC/grant requirements.

Based on Army grant, EPA AOC requirements and insurance provisions, FORA does not control the ARCADIS/AIG \$82.1 million Commutation Account. The full amount was provided to AIG in 2008 to as payment for a cost-cap insurance policy where AIG reviews ARCADIS’ work performed and makes payments directly to ARCADIS. FORA does oversee that work complies with grant/AOC requirements.

Item	Originally Allocated	Accrued as of
		6/30/2013
FORA Self-Insurance or Policy	\$916,056	\$916,056
Reimburse Regulators & Quality Assurance	\$4,725,000	\$1,971,370
State of California Surplus Lines Tax, Risk Transfer, Mobilization	\$6,100,000	\$6,100,000
Contractor's Pollution Liability Insurance	\$477,344	\$477,344
Work Performed ARCADIS/AIG Commutation Account	\$82,117,553	\$64,908,331
FORA Administrative Fees	\$3,392,656	\$2,607,031
Total	\$97,728,609	\$76,980,132
	ESCA Remainder	\$20,748,477

FORA has received written confirmation from the Regulatory agencies that CERCLA MEC remediation work is complete (received regulatory site closure) on portions of the ESCA properties known as County North and Parker Flats Phase 1. For these properties, ARCADIS has commuting ESCA insurance coverages under Coverages B and C for all Clean-Up Costs related to Group A. Per the existing FORA/Jurisdiction Implementation Agreements and Memorandum of Agreements regarding property ownership and responsibilities during the period of Environmental Services, deeds have transferred these properties to the following:

- County of Monterey - County North
- County of Monterey – Portion of Parker Flats
- Monterey Peninsula College – Portion of Parker Flats

Access to these properties is no longer regulated by FORA, the ESCA team or the Regulatory Agencies, but by the new land owners. At the County’s request, FORA staff is working with County staff to adjust the signage based on a signage plan under the joint direction of County staff, the Monterey County Sheriff’s Department and the Bureau of Land Management with review by the FORA ESCA team. The relocation of the ESCA signage will be coordinated with the County’s installation of their new signage.

The ESCA team has completed the known ESCA Remediation Program MEC field work (Remedial Investigations). It is important to note that the data collected during this investigation

stage is under review by the Regulatory agencies who determine when the remediation work is complete. They will not issue written confirmation of Regulatory site closure until they are satisfied their review is complete, Final Proposed Plan, Record of Decision, Land Use Control Operation and Maintenance Plan have been completed and approved. The process of completing the review and documentation is expected to take between a year and a year and a half depending on the Regulatory agency decisions. Until regulatory site closure has been received, the ESCA property will remain closed to the public. Once regulatory site closure has been received, FORA will prepare the necessary deeds to transfer land title to the appropriate jurisdictions.

FORA's obligation under the ESCA, acting as the Army's contractor, is to perform the investigation and cleanup of MEC on the ESCA property. FORA makes recommendations about the work to be performed, but it does not approve that work. Remediation decisions are the responsibility of the Army and the Regulators.

The fact that property has regulatory approvals does not dictate what the end use will be. FORA is not empowered to impose or limit zoning, decide property density or related land use decisions which are the responsibility of the local jurisdiction(s) where the property lies. Issues associated with land use should be directed to the governmental authority with land use responsibility, not to FORA. The level to which the property is cleaned does not require that the jurisdictions establish their land use at a corresponding level. If cleaned to sensitive use permitted levels, the jurisdictions can then utilize the remediated property for a variety of uses, in accordance with their city codes and ordinances.

The Fort Ord Reuse Authority (FORA) has successfully settled litigation about the California Public Records Act, alleging that FORA had not properly applied or accounted for public funds being expended to complete munitions responsibilities to protect public health and safety and our environment.

FISCAL IMPACT:

Reviewed by FORA Controller

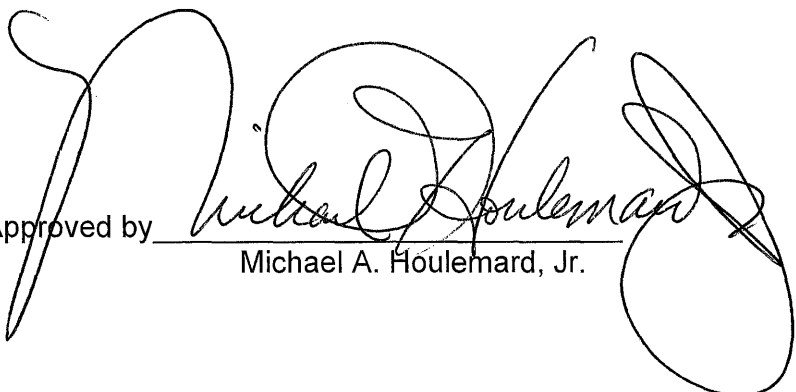


The funds for this review and report are part of the existing FORA ESCA funds.

COORDINATION:

Administrative Committee; Executive Committee; FORA Authority Counsel; ARCADIS; U.S. Army EPA; and DTSC

Prepared by 
Stan Cook

Approved by 
Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject: Outstanding Receivables

Meeting Date: October 11, 2013

Agenda Number: 11a

INFORMATION

RECOMMENDATIONS:

Receive a Fort Ord Reuse Authority (FORA) outstanding receivables update for September 30, 2013.

BACKGROUND/DISCUSSION:

1. Development Fee: In 1997, the U.S. Army and FORA entered into an interim lease for Preston Park. Preston Park consisted of 354 units of former Army housing within the jurisdiction of the City of Marina (Marina). Marina became FORA's Agent in managing the property. Marina and FORA selected Mid-Peninsula Housing Coalition to manage the property and lease it to tenants. In 1998, Mid-Peninsula completed rehabilitating Preston Park units and began leasing the property to the public. After repayment of the rehab loan, Marina and FORA have each shared 50% of the net operating income from Preston Park.

The FORA Board enacted a basewide Development Fee Schedule in 1999. Preston Park is subject to FORA's Development Fee Schedule overlay. In March 2009, the FORA Board approved the MOU between FORA and Marina whereby a portion of the Preston Park Development Fee was paid by the project. In 2009, Marina transferred \$321,285 from Preston Park, making an initial Development Fee payment for the project. The remaining balance is outstanding and is the subject of current litigation.

FISCAL IMPACT:

All former Fort Ord projects are subject to either the developer fee overlay or the Community Development District fees to pay individual share of the California Environmental Quality Act required mitigation measures. If any projects fail to pay their fair share it adds a financial burden to other reoccupied or development projects to compensate.

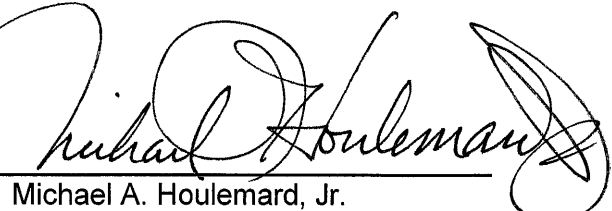
COORDINATION:

Executive Committee

Prepared by


Ivana Bednarik

Approved by


Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject: Habitat Conservation Plan Update

Meeting Date: October 11, 2013

Agenda Number: 11b

INFORMATION

RECOMMENDATION(S):

Receive a Habitat Conservation Plan (HCP) and State of California 2081 Incidental Take Permit (2081 permit) preparation process status report.

BACKGROUND/DISCUSSION:

The Fort Ord Reuse Authority (FORA), with the support of its member jurisdictions and ICF International (formerly Jones & Stokes), FORA's HCP consultant, is on a path to receive approval of a completed basewide HCP and 2081 permit in 2015, concluding with US Fish and Wildlife Service (USFWS) and California Department of Fish and Wildlife (CDFW) (formerly known as California Department of Fish and Game) issuing federal and state permits.

Most recently, FORA received comments on the Administrative Draft HCP from USFWS in July 2012 and CDFW staff in August 2012, and held recent in-person meetings on April 10 and June 19, 2013 to discuss outstanding issues; however, a legal review by these wildlife agencies is not yet complete and several policy-level issues must be resolved between CDFW and BLM, CDFW and State Parks/UC. After meeting with CDFW Chief Deputy Director Kevin Hunting on January 30, 2013, FORA was told that CDFW and BLM issues require a Memorandum of Understanding (MOU) between CDFW and BLM, outlining certain assurances between the parties, resulting in additional time. Also, according to CDFW, final approval of an endowment holder no longer rests with CDFW (due to passage of SB 1094 [Kehoe]), which delineates specified rules for wildlife endowments. However, CDFW must review the funding structure and anticipated payout rate of the HCP endowment holder to verify if the assumptions are feasible. CDFW has outlined a process for FORA and the other permit applicants that expedites compliance with endowment funding requirements. FORA has engaged Economic and Planning Systems (EPS) to help in this process. Other policy issues and completion of the screencheck draft HCP should be completed in the next few months. If the current schedule is maintained, FORA staff expects a Public Draft HCP available for public review by June 2014. **Update:** On September 4, 2013, FORA held a meeting with the Permittees and Wildlife Agencies to review the proposed HCP Governance framework. FORA staff agreed to incorporate recent comments to draft agreements. Once these comments are incorporated, FORA staff will request review of draft HCP agreements Oct. to Nov. 2013.

FISCAL IMPACT:

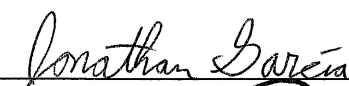
Reviewed by FORA Controller 

Staff time for this item is included in the approved FORA budget.

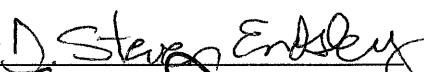
COORDINATION:

Administrative Committee, Executive Committee, ICF, Denise Duffy and Associates

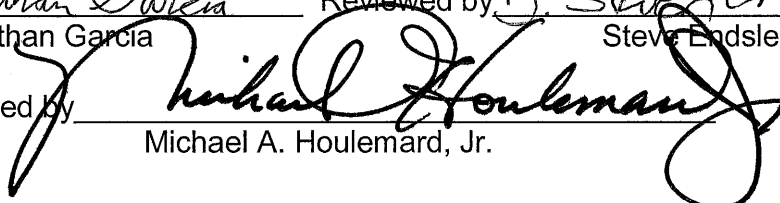
Prepared by


Jonathan Garcia

Reviewed by


Steve Endsley

Approved by


Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject: Administrative Committee Report	
Meeting Date: October 11, 2013 Agenda Number: 11c	INFORMATION

RECOMMENDATION:

Receive a report from the Administrative Committee.

BACKGROUND/DISCUSSION:

The approved September 4, 2013 and September 18, 2013 Administrative Committee minutes are attached for review.

FISCAL IMPACT:

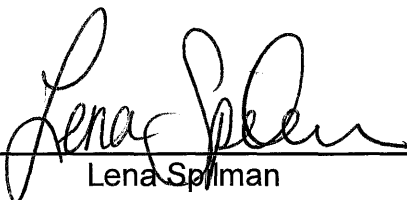
Reviewed by the FORA Controller 

Staff time for the Administrative Committee is included in the approved annual budget.

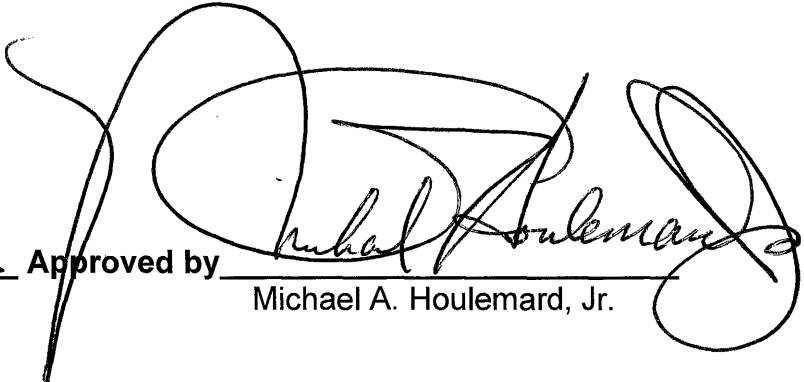
COORDINATION:

Administrative Committee

Prepared by


Lena Spillman

Approved by


Michael A. Houlemard, Jr.



FORT ORD REUSE AUTHORITY

ADMINISTRATIVE COMMITTEE REGULAR MEETING MINUTES

8:15 a.m., Wednesday, September 4, 2013 | FORA Conference Room
920 2nd Avenue, Suite A, Marina CA 93933

1. CALL TO ORDER AND ROLL CALL

Chair Dawson called the meeting to order at 8:15 a.m. The following were present, as indicated by signatures on the roll sheet:

Dan Dawson, City of Del Rey Oaks*
Elizabeth Caraker, City of Monterey*
Layne Long, City of Marina*
Carl Holm, County of Monterey*
John Dunn, City of Seaside*
Diana Ingersoll, City of Seaside
Tim O'Halloran, City of Seaside
Anya Spear, CSUMB

Kathleen Lee, Sup. Potter's Office
Vicki Nakamura, M{C
Lyle Shurtleff, BRAC
Graham Bice, UC MBEST
Gage Dan, UCSC
Bob Schaffer
Beth Palmer
David Moon, Sierra Club

FORA Staff:
Michael Houlemard
Steve Endsley
Jim Arnold
Crissy Maras
Jonathan Garcia
Lena Spilman

* Voting Members

2. PLEDGE OF ALLEGIANCE

Jim Arnold, Senior Project Manager, led the Pledge of Allegiance.

3. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE

Executive Officer Michael Houlemard discussed his and Chair Dawson's plans to attend the Association of Defense Communities Base Redevelopment Forum in Portland, Maine from September 25-27th.

4. PUBLIC COMMENT PERIOD

None.

5. APPROVAL OF MEETING MINUTES

- a. July 31, 2013 Administrative Committee minutes
- b. August 7, 2013 Administrative Committee minutes

MOTION: John Dunn moved, seconded by Carl Holm, to 1) amend the July 31, 2013 minutes to include the recorded vote under item 8a, and 2) approve the July 31, 2013 and August 7, 2013 minutes as amended.

MOTION PASSED: Ayes: Dan Dawson, Elizabeth Caraker, Carl Holm. *Absent:* Layne Long.
Abstain: John Dunn.

6. SEPTEMBER 13, 2013 BOARD MEETING AGENDA REVIEW

Mr. Houlemard conducted a review of items on the September 13, 2013 draft Board agenda.

7. ITEMS FROM MEMBERS

Chair Dawson announced the Del Rey Oaks City Council had requested the closure of South Boundary Road due to vandalism and associated maintenance costs and Carl Holm indicated that the County of Monterey planned to open Inter-Garrison Road. John Dunn stated that the City of Seaside

had retained a consultant to provide an analysis of the economic impact of the Fort Ord initiatives. The consultant would present their findings to the Seaside City Council at their September 5, 2013 meeting.

8. **ADJOURNMENT**

Chair Dawson adjourned the meeting at 8:43 a.m., noting that the Joint Administrative and Water/Wastewater Oversight Committee would convene in three minutes.

DRAFT



FORT ORD REUSE AUTHORITY

ADMINISTRATIVE COMMITTEE REGULAR MEETING MINUTES

8:15 a.m., Wednesday, September 18, 2013 | FORA Conference Room
920 2nd Avenue, Suite A, Marina CA 93933

1. CALL TO ORDER AND ROLL CALL

Chair Dawson called the meeting to order at 8:17 a.m. The following were present, as indicated by signatures on the roll sheet:

Dan Dawson, City of Del Rey Oaks*
Carl Holm, County of Monterey*
Elizabeth Caraker, City of Monterey*
Layne Long, City of Marina*
Anya Spear, CSUMB
Vicki Nakamura, MFC
Lyle Shurtleff, BRAC
Graham Bice, UC MBEST
Todd Muck, TAMC

Kathleen Lee, Sup. Potter's Office
Wendy Strimling, County of Monterey
Daphne Hodgson, City of Seaside
Patrick Breen, MCWD
Talli Robinson, UCP
Scott Hilk, MCP
Bob Schaffer
Beth Palmer, Monterey Downs
Barry Steinberg, Kutak Rock LLP

FORA Staff:
Michael Houlemard
Steve Endsley
Jim Arnold
Crissy Maras
Jonathan Garcia
Lena Spilman

* Voting Members

2. PLEDGE OF ALLEGIANCE

Executive Officer Michael Houlemard led the Pledge of Allegiance.

3. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE

a. CSUMB/FORA Base Reuse Implementation Colloquia

Mr. Houlemard stated that the Colloquia had tentatively been scheduled for December 12-13, 2013 and discussed several of the proposed panel topics. Mr. Houlemard reported on the status of the Fort Ord initiatives.

4. PUBLIC COMMENT PERIOD

The Committee received comments from members of the public.

5. SEPTEMBER 13, 2013 BOARD MEETING FOLLOW UP

Mr. Houlemard provided an overview of actions taken at the September 13, 2013 Board meeting.

6. OLD BUSINESS

a. Comprehensive Environmental Response Coordination and Liability Act (CERCLA) and Resource Conservation and Recovery Act (RCRA) Issues.

b. Risk Management and Basewide Pollution Legal Liability (PLL) Insurance Coverage

Mr. Houlemard introduced the item. FORA Special Counsel Barry Steinberg, Kutak Rock LLP, discussed the history of the current FORA PLL Policy, the implications of the policy's December 2014 expiration, and alternatives for coverage beyond 2014. The Committee agreed to provide FORA with comments within 30 days.

7. ITEMS FROM MEMBERS

None

8. ADJOURNMENT

Chair Dawson adjourned the meeting at 10:00 a.m.

FORT ORD REUSE AUTHORITY BOARD REPORT
EXECUTIVE OFFICER'S REPORT

Subject: Water/Wastewater Oversight Committee	
Meeting Date: October 11, 2013	INFORMATION
Agenda Number: 11d	


RECOMMENDATION:

Receive a report from the Water/Wastewater Oversight Committee (WWOC).

BACKGROUND/DISCUSSION:

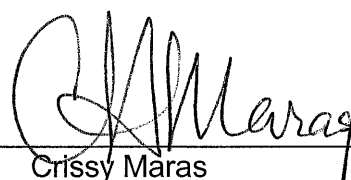
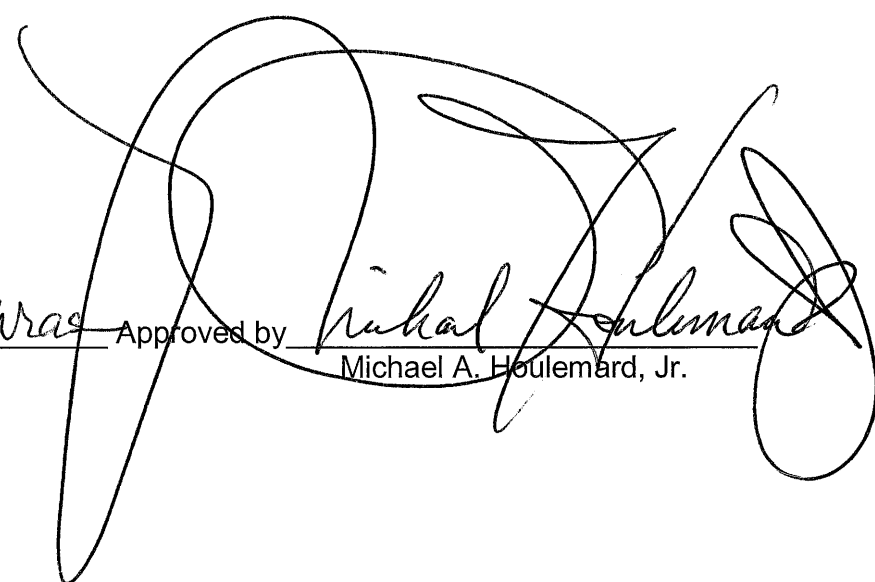
The WWOC met jointly with the Administrative Committee on September 18 and October 2, 2013. The final September 18th (**Attachment A**) and draft October 2nd (**Attachment B**) minutes from those meetings are attached for your review.

FISCAL IMPACT:

Reviewed by FORA Controller 
Staff time for this item is included in the approved FORA budget.

COORDINATION:

WWOC, Administrative Committee, Marina Coast Water District

Prepared by  Approved by 
Crissy Maras Michael A. Houlemard, Jr.



FORT ORD REUSE AUTHORITY

JOINT ADMINISTRATIVE AND WATER/WASTEWATER OVERSIGHT COMMITTEE

Wednesday, September 18, 2013

920 2nd Avenue, Suite A, Marina, CA 93933 (FORA Conference Room)

MINUTES

1. **CALL TO ORDER IMMEDIATELY FOLLOWING ADMINISTRATIVE COMMITTEE MEETING**

Administrative Committee Co-Chair Daniel Dawson called the meeting to order at 10:07 AM. The following were present, as indicated by signatures on the roll sheet:

Committee Members:

Daniel Dawson, City of DRO
Carl Holm, County of Monterey
Dirk Medema, County of Monterey DPW
Graham Bice, UCMBEST
Mike Lerch, CSUMB
Rick Riedl, City of Seaside

Staff:

Steve Endsley, FORA
Jim Arnold, FORA
Crissy Maras, FORA
Jonathan Garcia, FORA
Brian Lee, MCWD
Kelly Cadiente, MCWD
Patrick Breen, MCWD

Others:

Bob Schaffer
Kathleen Lee
Beth Palmer
Scott Hilk
Brian Boudreau

2. **ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE**

None

3. **PUBLIC COMMENT PERIOD**

None

4. **APPROVAL OF MEETING MINUTES**

a. **September 4, 2013 Joint Administrative/WWOC Minutes**

MOTION: Rick Riedl moved, seconded by Carl Holm, to approve the July 17, 2013 minutes as presented.

MOTION PASSED: Unanimous.

5. **OLD BUSINESS**

a. **FY 2013-14 Ord Community Budget**

i. **MCWD Draft Rate Study**

MCWD staff summarized revisions made to the FY2013/14 Ord Community Water/Wastewater Systems Proposed Compensation Plan since the last presentation to this committee. Committee members had various questions regarding planned projects and expenses. MCWD staff explained the projects listed on their capital improvement program (CIP), including a construction loan to build a new office building for the Bureau of Land Management in the Imjin Office Park. The 15-year construction loan will be paid through lease revenue, providing a \$4M MCWD asset at the end of the loan. MCWD staff also explained how various CIP project costs are split amongst their cost centers.

MCWD is conducting a Proposition 218 protest hearing on October 21, 2013.

Committee members made suggestions to help improve the budget format and recommended that MCWD staff do a run through of their anticipated FORA Board presentation to the WWOC on October 2nd. MCWD staff indicated their appreciation for committee member feedback and expressed willingness to provide the draft FORA Board presentation to the joint committee on October 2nd.

The MCWD Board reviewed the final rate study at their September 16th meeting. MCWD staff agreed that the rate study consultant would present an informational report on the study at the October FORA Board meeting.

6. SCHEDULE NEXT MEETING

The next meeting was scheduled for October 2, 2013.

7. ADJOURNMENT

Co-Chair Dawson adjourned the meeting at 11:30 a.m.

Minutes prepared by Crissy Maras, Grants and Contracts Coordinator

Approved by: _____
Michael A. Houlemard, Jr.



FORT ORD REUSE AUTHORITY

JOINT ADMINISTRATIVE AND WATER/WASTEWATER OVERSIGHT COMMITTEE

Wednesday, October 2, 2013

920 2nd Avenue, Suite A, Marina, CA 93933 (FORA Conference Room)

MINUTES

1. **CALL TO ORDER IMMEDIATELY FOLLOWING ADMINISTRATIVE COMMITTEE MEETING**

Administrative Committee Co-Chair Daniel Dawson called the meeting to order at 10:07 AM. The following were present, as indicated by signatures on the roll sheet:

Committee Members:

Daniel Dawson, City of DRO
Carl Holm, County of Monterey
Graham Bice, UCMBEST
Mike Lerch, CSUMB
Rick Riedl, City of Seaside
Tim O'Halloran, City of Seaside

Staff:

Steve Endsley, FORA
Jim Arnold, FORA
Crissy Maras, FORA
Jonathan Garcia, FORA
Brian Lee, MCWD
Kelly Cadiente, MCWD
Patrick Breen, MCWD

Others:

Bob Schaffer
Kathleen Lee
Scott Hilk
Crisand Giles
Mike Zeller
Talli Robinson

2. **ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE**

None

3. **PUBLIC COMMENT PERIOD**

None

4. **APPROVAL OF MEETING MINUTES**

a. **September 18, 2013 Joint Administrative/WWOC Minutes**

MOTION: Carl Holm moved, seconded by Daniel Dawson, to approve the September 18, 2013 minutes as presented.

MOTION PASSED: Unanimous.

5. **OLD BUSINESS**

a. **FY 2013-14 Ord Community Budget**

i. **MCWD Draft Rate Study**

MCWD staff provided handouts of a draft power point presentation summarizing the FY2013/14 Ord Community Water/Wastewater Systems Proposed Compensation Plan. MCWD anticipates making the presentation at a joint FORA and MCWD Board meeting in November. Committee members provided textual and formatting suggestions which MCWD staff will incorporate into an updated presentation.

Committee members had questions on the rate study, which was accepted by the MCWD Board at their September 16th meeting. MCWD staff provided clarification and noted questions which would require additional research. Working with their rate study consultant and auditor,

MCWD staff will assemble the requested information and provide further clarification at the next meeting. MCWD is conducting a Proposition 218 protest hearing on October 21, 2013.

6. **SCHEDULE NEXT MEETING**

The next meeting was scheduled for October 16, 2013.

7. **ADJOURNMENT**

Co-Chair Dawson adjourned the meeting at 10:05 a.m.

Minutes prepared by Crissy Maras, Grants and Contracts Coordinator

Approved by: _____
Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject: Post Reassessment Advisory Committee	
Meeting Date: October 11, 2013	INFORMATION
Agenda Number: 11e	

RECOMMENDATION(S):

Receive an update on planning for the California State University Monterey Bay (CSUMB) hosted Fort Ord Reuse Implementation Colloquia.

BACKGROUND/DISCUSSION:

At its July meeting, the Fort Ord Reuse Authority (FORA) Board provided direction to proceed with a four-topic Colloquia hosted by/at CSUMB. Since that action, the Post Reassessment Advisory Committee (PRAC) met twice in August and twice in September to coordinate event program planning with CSUMB (see attached meeting minutes: **Attachment A**). An additional PRAC-CSUMB coordination meeting is scheduled on October 9, 2013 (12:30 pm) at the FORA office. Staff will provide an oral report to the FORA Board at its October 11, 2013 meeting.

CSUMB has reserved its facilities for December 12 and 13 to host the Colloquia event. CSUMB and FORA are preparing for the event, refining subtopics, preparing background materials for speakers, recruiting speakers, preparing event format/schedule, and coordinating logistical items for the event.

FISCAL IMPACT:

Reviewed by FORA Controller 

Staff time for this item is included in the approved FORA budget. The \$56,725 in Colloquia budget was approved by the Board on September 13, 2013 and is included in the approved FY 13-14 budget for the Base Reuse Plan Post Reassessment.

COORDINATION:

PRAC, CSUMB, Administrative Committee, and Executive Committee.

Prepared by Jonathan Garcia Reviewed by Steve Endsley
Jonathan Garcia Steve Endsley

Approved by Michael A. Houlemard, Jr.
Michael A. Houlemard, Jr.



**BASE REUSE PLAN POST-REASSESSMENT
ADVISORY COMMITTEE MEETING
10:30 A.M. Tuesday, September 10, 2013**

920 2nd Avenue, Suite A, Marina CA 93933 (FORA Conference Room)

ACTION MINUTES

1. CALL TO ORDER AT 10:30 A.M.

Confirming a quorum, Fort Ord Reuse Authority (FORA) Board of Directors Chair Jerry Edelen called the meeting to order at 10:33 PM. The following people, indicated by signatures on the roll sheet, attended:

Committee Members

Dr. Tom Moore, MCWD
Gail Morton, City of Marina
Jerry Edelen, City of DRO
Victoria Beach, City of Carmel
-by-the-Sea
President/Dr. Ochoa, CSUMB

Other Attendees

Michael Houlemard, FORA
Steve Endsley, FORA
Jane Haines, member of the public
Kristi Markey, Supervisor Jane Parker's office
Jonathan Garcia, FORA
Andre Lewis, CSUMB

2. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE: None.

3. PUBLIC COMMENT PERIOD: None.

4. APPROVAL OF August 19, 2013 MEETING MINUTES

Motion: Committee member Dr. Tom Moore moved that the minutes be amended as directed and presented at the next Post-Reassessment Advisory Committee (PRAC) meeting, seconded by Committee member Gail Morton.

Motion Passed: unanimous.

5. OLD BUSINESS

Base Reuse Plan Post-Reassessment Colloquium Planning

ACTION

- I. Provide direction on proposed colloquium format/scheduling
- II. Provide direction on list of potential colloquium speakers
- III. Review colloquium budget

FORA Senior Planner Jonathan Garcia summarized the first three staff report recommendations. Committee members discussed the proposed colloquium scheduling dates and agreed that an early December date was preferred.

President/Dr. Ochoa described his vision for the event with emphasis on exploring the University's role in the economic recovery process. Committee members discussed variations to

the proposed format included in the staff report. Principal Aide Kristi Markey offered a recommendation from Supervisor Jane Parker. This recommendation was to keep the event to two days to attract and maintain interest of the local community in the event.

Committee members stressed the importance of recruiting panel experts with diverse perspectives and new ideas from outside of our local area. Committee member Victoria Beach recommended recruitment of experts associated with the Form-Based Codes Institute and National Charrette Institute to address subtopics with Design Guidelines. Committee members discussed a proposed format of having 3 experts/speakers each providing up to a 20-minute presentation on their focus area (similar to a TED talk) and then forming a panel of 3 to address certain overarching questions and questions from the audience.

IV. Consider next steps

For the next PRAC meeting, the following tasks were identified:

1. FORA staff, working with CSUMB, will:
 - a. Prepare a draft Fort Ord Background document to help recruit potential speakers,
 - b. Prepare draft overarching questions for the various panels, and
 - c. Continue work on researching and recruiting potential speakers/panelists.

2. The next PRAC meeting was scheduled for Monday, September 23, 2013 at 9:00 am.

6. ITEMS FROM MEMBERS: None.

7. ADJOURNMENT: The meeting was adjourned at approximately 12:02 pm.

Minutes prepared by Jonathan Garcia.



FORT ORD REUSE AUTHORITY

BASE REUSE PLAN POST-REASSESSMENT ADVISORY COMMITTEE MEETING MINUTES

9:00 a.m., Monday, September 23, 2013 | FORA Conference Room
920 2nd Avenue, Suite A, Marina, CA 93933

1. CALL TO ORDER AT 9:00 A.M.

Confirming a quorum, Fort Ord Reuse Authority (FORA) Board of Directors Chair Jerry Edelen called the meeting to order at 9:05 AM. The following people, indicated by signatures on the roll sheet, attended:

Committee Members

Dr. Tom Moore, MCWD
Gail Morton, City of Marina
Jerry Edelen, City of DRO
Victoria Beach, City of Carmel
-by-the-Sea

Other Attendees

Michael Houlemard, FORA
Steve Endsley, FORA
Jane Haines, member of the public
Jonathan Garcia, FORA

2. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE

Senior Planner Jonathan Garcia announced that the recruitment process for the Associate Planner position has been completed. The new Associate Planner will be Josh Metz, who will begin work on October 1, 2013.

3. PUBLIC COMMENT PERIOD

None.

4. APPROVAL OF August 19, 2013 MEETING MINUTES

5. APPROVAL OF September 10, 2013 MEETING MINUTES

MOTION: Committee member Jane Parker moved, seconded by Committee member Gail Morton, to accept the August 19, 2013 and September 10, 2013 meeting minutes as presented.

MOTION PASSED: unanimous.

6. OLD BUSINESS

Base Reuse Plan Post-Reassessment Colloquium Planning

- I. Provide feedback on draft Fort Ord Background document
- II. Provide feedback on draft overarching questions for panels
- III. Provide direction on proposed colloquium format/scheduling
- IV. Consider next steps

Senior Planner Jonathan Garcia provided a summary of the staff report and attached materials. Committee members provided feedback on the draft Fort Ord Background document, the draft Overarching Questions, and the proposed colloquium format/scheduling.

Feedback on the draft Fort Ord Background document included suggestions to provide a summary of the BRP Reassessment Report, statistics on Fort Ord in charts and/or tables, and descriptions of accomplishments, deficiencies, and remaining issues. Feedback on the draft Overarching Questions included discussion that some experts may speak on topics that they are most familiar and that others may prepare presentations on specific subtopics described by CSUMB/FORA. Feedback on the proposed colloquium format/scheduling included suggestions of having one larger topic in the morning followed by a smaller topic in the afternoon, having a kick-off event the evening before Day 1 featuring elected leaders, and having the topics interspersed each day to maintain community interest, and have the FORA Board meeting start at 4:00 pm instead of 2:00 pm to allow more time to conclude the colloquium. The Board meeting would be scheduled for the same venue at CSUMB to facilitate ease of attendance for Board members to both events.

7. **ITEMS FROM MEMBERS**

None.

8. **ADJOURNMENT**

The meeting was adjourned at approximately 10:41 am.

Minutes prepared by Jonathan Garcia.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject: Travel Report	
Meeting Date: October 11, 2013 Agenda Number: 11f	INFORMATION

RECOMMENDATION(S):

Receive an informational travel report from the Executive Officer.

BACKGROUND/DISCUSSION:

The Executive Officer regularly submits reports to the Executive Committee providing details of his travel requests, including those by the Fort Ord Reuse Authority ("FORA") Board members. Travel expenses may be paid or reimbursed by FORA, outside agencies/jurisdictions/ organizations, or a combination of these sources. The Executive Committee reviews and approves these requests, and the travel information is reported to the Board as an informational item.

COMPLETED TRAVEL:

Association of Defense Communities (ADC) Base Redevelopment Summit

Destination: Portland, ME
Date: September 24-27, 2013
Traveler/s: Michael Houlemard, Daniel Dawson

Purpose: ADC brings together local reuse authorities from across the nation to evaluate recovery program trends, base reuse economics, national legislative direction, coordination with military services, and federal funding opportunities. FORA has been an active member since 1996. Executive Officer Houlemard and City Manager Fred Meurer are both past ADC presidents. The Portland conference specialized in military base reuse and recovery and Mr. Houlemard and City Manager/FORA Administrative Committee Chair Dan Dawson were active participants.

Destination: Sacramento, CA
Date: September 30-October 1, 2013
Traveler/s: Chair Edelen, Michael Houlemard, Stan Cook

Mr. Houlemard traveled to Sacramento for meetings with the California Department of Veterans Affairs (CDVA), the US Army, and the California Department of Toxic Substances Control (DTSC). The meeting with CDVA confirmed the state's documentation and paperwork associated with the California Central Coast Veterans Cemetery (CCCVC) and reviewed requirements for the grant and loan from the David and Lucile Packard Foundation to assist with the CCCVC. The DTSC meeting reviewed the groundbreaking efforts that have produced a residential quality assurance process for the reuse of the former range areas for sensitive uses. Mayor/Chair Edelen and Project Manager Stan Cook also attended this meeting.

FISCAL IMPACT:

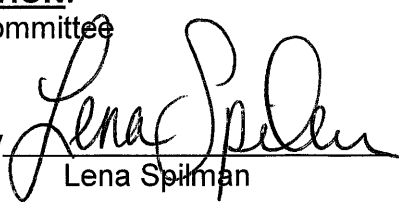
Reviewed by FORA Controller 

Staff time for this item was included in the approved annual budget. Travel expenses are reimbursed according to the FORA Travel Policy.

COORDINATION:

Executive Committee

Prepared by


Lena Spilman

Approved by


Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject:	Public Correspondence to the Board	
Meeting Date:	October 11, 2013	INFORMATION
Agenda Number:	11g	

Public correspondence submitted to the Board is posted to FORA's website on a monthly basis and is available to view at <http://www.fora.org/board.html>

Correspondence may be submitted to the Board via email to board@fora.org or mailed to the address below:

FORA Board of Directors
920 2nd Avenue, Suite A
Marina, CA 93933