



FORT ORD REUSE AUTHORITY

920 2ND AVENUE, SUITE A, MARINA, CALIFORNIA 93933

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June 17, 2015

Bill Kocher, Interim General Manager
Marina Coast Water District
11 Reservation Road
Marina, CA 93933

RE: Response to Marina Coast Water District FY 2015-16 Proposed Ord Community Budget

Dear Mr. Kocher:

This letter fulfills the Fort Ord Reuse Authority's (FORA's) obligation under section 7.2.1. of the FORA-Marina Coast Water District (MCWD) Facilities Agreement to respond to the proposed Ord Community Budget within three months of submittal. At its June 12, 2015 meeting, the FORA Board of Directors unanimously approved the following response:

"FORA disagrees with the MCWD FY 15/16 Ord Community Budget as currently proposed. FORA's response includes the following findings:

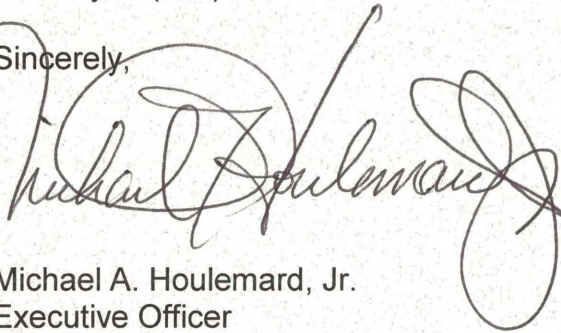
- 1) **FORA identifies disputed elements** as: \$470,000 Capital Reserve line item (25b-2) for 10% design of the Regional Urban Water Augmentation Project (RUWAP) desalination project and the 9% rate increase for FY 2015/16;
- 2) **FORA states reasons for the dispute** as: RUWAP desalination project planning needs to include all water augmentation options (recycled, conservation, other) and a portion of the 9% rate increase appears to provide Ord Community funding for litigation related to the failed regional desalination project and/or further desalination planning outside of current FORA Board direction; and
- 3) **FORA specifies the dispute resolution** as: MCWD to resubmit budget to FORA that excludes desalination specific project line item 25b-2, re-programs RUWAP implementation to include conservation, recycled and other augmented options, and lowers 9% rate increase commensurate to MCWD regional desalination project/litigation expenses, which also are directed to be removed from the revised budget."

During this meeting, individual FORA Board members also expressed concern that the proposed 9% rate increase and the \$470,000 for 10% design of the RUWAP desalination project (line item 25b-2) may be unduly burdensome to ratepayers.

The denial of the RUWAP desalination project and rate increase may be resubmitted with appropriate answers to the questions posed by the FORA Board. FORA is very interested in continuing to work with MCWD and MRWPCA on the RUWAP, provided that planning for that project includes the broader scope specified in the Board's action.

Please indicate how MCWD intends to proceed. We will do our best to expedite this item through the committee and Board processes. If you have any questions or concerns regarding this matter, please feel free to contact Assistant Executive Officer Steve Endsley at (831) 883-3672.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael A. Houlemard, Jr.", written in a cursive style. The signature is positioned to the right of the word "Sincerely," and above the typed name.

Michael A. Houlemard, Jr.
Executive Officer