

RESOLUTION NO: 17-8
CASTROVILLE COMMUNITY SERVICES DISTRICT
COUNTY OF MONTEREY, STATE OF CALIFORNIA

AUTHORIZING A FINANCIAL ASSISTANCE APPLICATION FOR ENHANCEMENT OF EXISTING
CASTROVILLE WATER INFRASTRUCTURE

RESOLVED BY THE BOARD OF DIRECTORS (BOARD) OF THE CASTROVILLE COMMUNITY SERVICES DISTRICT (DISTRICT), at a regular meeting duly called and held on November 21, 2017 at the business office of the District, 11499 Geil Street, Castroville, California, as follows:

WHEREAS, the Board makes the following findings of fact:

A. The District was established in 1952 and since that time has provided municipal and domestic water service to the Town and community of Castroville, which overlies the Salinas River Groundwater Basin ("SRGB") in an area north of the City of Marina and west of the City of Salinas.

B. The District currently relies on groundwater from the SRGB as the District's only source of potable water to meet Castroville's water demands.

C. The District increasingly has experienced water supply challenges due to water quality degradation of its water supplies, primarily from increased salinity. The Monterey County Water Resources Agency's ("MCWRA") latest seawater intrusion map (2015) shows the District's source water supply is threatened with seawater intrusion that has been identified as being within a quarter mile of all four of the District's domestic water supply wells.

D. Poor water quality, including elevated sodium levels in the District's groundwater supplies, can contribute to health risks of individuals within the District's service area who are susceptible to high sodium.

E. The District is actively pursuing alternative water supplies and has applied to the State for funding to develop deeper groundwater wells and other projects to serve its customer demands.

F. The State of California has established a Sustainable Groundwater Planning Grant Program pursuant to the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Water Code sections 79700 and following) ("the 2014 Act") and also provides grant funding through the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006, codified at sections 75001 and following of the California Public Resources Code ("the 2006 Act"). Section 75003 of the 2006 Act finds and declares that it is necessary and in the public interest to ensure that safe drinking water is available to all Californians by, among other things, assisting small communities in making the improvements needed in their water systems to clean up and protect their drinking water from contamination, and providing grants and loans

for safe drinking water and water pollution prevention projects, and assisting each region of the state in improving local water supply reliability and water quality.

G. Section 79724 of the 2014 Act and section 75022 of the 2006 Act make funds available for grants for small community drinking water system infrastructure improvements with special consideration to small communities with limited financial resources that serve disadvantaged communities. Section 79702(j) of the 2014 Act 75005(g) and section of the 2006 Act define a "disadvantaged community" for purposes of the Act as a community with a median household income less than 80% of the statewide average. Section 75005(g) also defines a "severely disadvantaged community" as a community with a median household income less than 60% of the statewide average.

H. Castroville is a disadvantaged community within the meaning of Public Resource Code section 75005(g) and Water Code section 79702(j), and is severely disadvantaged community within the meaning of Section 75005(g) of the Public Resources Code. Castroville is identified as a disadvantaged community in the Greater Monterey County IRWM Regional Water Management Group Disadvantaged Community Outreach Plan, Prepared for the Environmental Justice Coalition for Water by Nilsen & Associates, Approved April 18, 2012. The American Community Survey of the U.S. Census Bureau designates Castroville as a "severely disadvantaged community."

I. To facilitate planning and review of a way to provide a long-term supply of potable water meeting applicable health and safety standards, the District approved and executed a Return Water Planning Term Sheet ("Planning Term Sheet") on January 22, 2016, with other parties that include the Monterey County Water Resources Agency and the California American Water Company, for Cal Am's Monterey Peninsula Water Supply Project ("MPWSP"). At a regular meeting called and held on January 19, 2016, the Board of Directors of the District adopted Resolution No. 16-2 approving execution of the Planning Term Sheet. The form of the Planning Term Sheet approved by Resolution 16-2 is consistent with the Planning Term Sheet executed by the Parties and the District on January 22, 2016. The District and the Parties then met and conferred since January 22, 2016 concerning the terms for a Return Water Purchase Agreement between the District and Cal Am ("CCSD RWPA") consistent with the Planning Term Sheet. The Board of Directors of the District reviewed the draft CCSD RWPA at a regular meeting on April 19, 2016 and adopted Resolution 16-4 approving the draft CCSD RWPA in concept for submission to the CPUC for planning purposes and review. The District represented and agreed that the District would sign a CCSD RWPA after expiration of the statute of limitations for challenging a decision by the CPUC certifying the MPWSP environmental impact report and approving the Settlement Agreement.

J. In the Planning Term Sheet, the District submits that it is interested in taking delivery of a Return Water supply from the MPWSP to replace all or part of the District's current reliance on groundwater from the SRGB.

K. The District has identified significant and material internal capital needs in order to take delivery of a Return Water supply from the MPWSP to provide a long term, high quality and reliable water source for the District.

M. Critical drinking water system infrastructure improvements needed to continue delivering a safe water supply will require the District to obtain significant funds, either by raising water rates on an already severely disadvantaged community or by obtaining grant funding.

N. The District requires financial assistance to plan and conduct environmental review for and thereafter construct a pipeline connecting the District's water distribution facilities to the MPWSP, and an additional 630,000 gallon storage tank and appurtenances to facilitate receiving the new water source as well as remediating deficiencies and defects in existing facilities of the Castroville water distribution and collection systems and to mitigate environmental and health risks presented by the current condition of the facilities. The District's General Manager estimates the cost of planning, conducting environmental review of and constructing the pipeline at \$2.8 million and the storage tank at \$_____.

O. The California Public Utilities Commission ("CPUC") is conducting environmental review of the MPWSP under the California Environmental Quality Act ("CEQA") and the Monterey Bay National Marine Sanctuary is conducting environmental review of the MPWSP under the National Environmental Policy Act ("NEPA"). The CPUC has recently extended the time for CEQA review, with a CEQA determination expected in about six months. Planning, design and environmental review of the District's facilities to receive water from the MPWSP needs to be coordinated with the CPUC's environmental review of the MPWSP.

P. District Counsel advises that CEQA review is required for construction of the proposed new pipeline and storage tank and appurtenances. Funds are required for the planning and environmental review of these new facilities. Sections 79703 and 79704 of the 2014 Act provide for limited use of funds allocated for a grant program to pay administrative costs and planning and monitoring of the program.

Q. The District's General Manager is qualified to direct and control the preparation and submission of grant application materials related to water supply facilities needed by the District as described in this Resolution. The General Manager is also qualified to manage the planning and environmental review required for facilities for which grant funding is received and, subject to successful environmental review, construction of facilities for which grant funding is received.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Castroville Community Services District, that:

1. The Board hereby designates the District's General Manager as the District's "Authorized Representative", and directs the General Manager to prepare, sign and file, for and on behalf of the District, a grant application to the California Department of

Water Resources to obtain a grant under the 2017 Sustainable Groundwater Planning Grant Program pursuant to the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Water Code section 79700 *et seq.*), and to enter into an agreement to receive a grant for the planning, design, environmental review and, if approved thereafter, construction of new water distribution system facilities for the District, as described in this Resolution.

2. The District's Authorized Representative is authorized and designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance grant agreement, and any amendments or changes thereto, with the California Department of Water Resources.

3. The District's Authorized Representative is designated to represent the District in carrying out the District's responsibilities under a financing agreement, including certifying disbursement requests on behalf of the District and complying with applicable state and federal laws.

4. This Resolution does not and shall not be construed as irrevocably committing the District to an activity that may cause either a direct physical change in the environment, or a reasonably foreseeable indirect change in the environment, without environmental review that complies with CEQA.

The foregoing resolution was duly and properly introduced at a regular meeting of the Castroville Community Services District Board of Directors duly held on November 21, 2017, and passed and adopted by the following vote:

AYES: Stefani, Montejano, Meigoza, Cochran, and Oania

NOES: 0

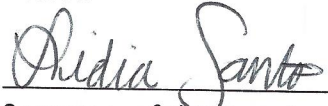
ABSENT: 0

ABSTAIN: 0



President of the Board


Attest:



Secretary of the Board

CERTIFICATION

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the Board of Directors of the CASTROVILLE COMMUNITY SERVICES DISTRICT held on November 21, 2017.



Lidia Santos, Secretary of the Board