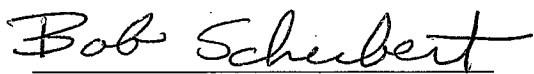


MONTEREY COUNTY PLANNING COMMISSION

Meeting: October 28, 2009	Time: 9:30 AM	Agenda Item No.: 3
Project Description: The proposed project consists of a Combined Development Permit consisting of a Standard Subdivision to divide approximately 79.5 acres into 32 parcels ranging in size from 1.0 acres to 15.91 acres, including one lot (Lot 32) with four inclusionary rental units; Use Permit for removal of approximately 367 protected oak trees (271 for roads and up to 96 on the individual lots); Use Permit for four inclusionary rental units; and grading (approximately 5,100 cubic yards cut and 5,100 cubic yards fill).		
Project Location: Easterly of San Juan Road, approximately 600 feet southerly of the intersection of San Juan Road and Aromas Road at the terminus of Rea Avenue		APN: 267-123-031-000 and 267-051-014-000
Planning File Number: PLN980503		Name: Aromas Heritage Oaks LLC
Plan Area: North County Area Plan		Flagged and staked: No
Zoning Designation: : LDR 2.5 (Low Density Residential, 2.5 acres/unit)		
CEQA Action: Pursuant to Public Resources Code Section 21080(b)(5) and CEQA Guidelines Section 15270, CEQA does not apply to projects which are disapproved.		
Department: RMA - Planning Department		

RECOMMENDATION: Staff has prepared a resolution (**Exhibit A**) denying the application for a Combined Development Permit pursuant to the Planning Commission's September 30, 2009 motion of intent.

PROJECT OVERVIEW: On September 30, 2009, the Planning Commission conducted a public hearing and adopted a motion of intent to deny the application based on a lack of consistency with General Plan policies regarding long term water supply. The hearing was continued to October 28, 2009 and staff was directed to return with findings and evidence for denial. A draft resolution (**Exhibit A**) is attached. As the staff report was being finalized, the attached letter (**Exhibit B**) was received from John Bridges, the applicant's attorney. Staff will respond to the letter at the public hearing.



Bob Schubert, AICP, Senior Planner

(831) 755-5183, schubertbj@co.monterey.ca.us[@co.monterey.ca.us](mailto:co.monterey.ca.us)

October 21, 2009

cc: Front Counter Copy; Planning Commission; Aromas Tri County Fire Protection District; Public Works Department; Parks Department; Housing and Redevelopment Agency; Environmental Health Division; Water Resources Agency; Alana Knaster, Assistant Director, RMA Department, Carl Holm, Assistant Planning Director; Wendy Strimling, County Counsel; Leslie Girard, County Counsel; Vicki Morris, Aromas Water District; Pajaro Valley Water Management District; Bob Schubert, Project Planner; Carol Allen, Senior Secretary; Wayne Holman, Owner; Derinda Messenger, Agent; John Bridges, Agent, Fumi Kimura, Bob Bugalski, Molly Erickson (via e-mail); Jennifer Holda (via e-mail); Rona Gertzulin Sowash

(via e-mail); Cathy Miller (via e-mail); Marjorie Kay (via e-mail); George Mortan (via e-mail); Carolyn Anderson (via e-mail); Carol Hughes (via e-mail); Margie Western (via e-mail); Addie Bakich (via e-mail); Jack McKenzie (via e-mail); Greg Albertson (via e-mail); Dianne Russell (via e-mail); Henry Gowin (via e-mail); Planning File PLN980503.

Attachments:

Exhibit A Resolution of Denial

Exhibit B Letter from John Bridges, Fenton and Keller, dated October 21, 2009

This report was reviewed by Alana Knaster, Deputy Director, RMA

Note: The Planning Commission decision is appealable to the Board of Supervisors.

**EXHIBIT A
DRAFT RESOLUTION**

**Before the Planning Commission in and for the
County of Monterey, State of California**

In the matter of the application of:

Aromas Heritage Oaks, LLC (PLN980503)

RESOLUTION NO.

Resolution by the Monterey County Planning Commission denying an application for a Combined Development Permit consisting of a Standard Subdivision to divide approximately 79 acres into 32 parcels ranging in size from 1.0 acres to 15.91 acres, including one lot (Lot 32) with four inclusionary rental units; Use Permit for removal of approximately 367 protected oak trees (271 for roads and up to 96 on the individual lots); Use Permit for four inclusionary rental units; and grading (approximately 5,100 cubic yards cut and 5,100 cubic yards fill). (PLN980503, Wayne Holman, North County (Non Coastal) Area Plan, (APN: 267-123-031-000 and 267-051-014-000)

The Heritage Oaks application (PLN980503) came on for public hearing before the Monterey County Planning Commission on September 30, 2009 and October 28, 2009. Having considered all the written and documentary evidence, the administrative record, the staff report, oral testimony, and other evidence presented, the Planning Commission finds and decides as follows:

FINDINGS

1. **FINDING:** **CONSISTENCY** – The project, as conditioned, is inconsistent with some of the applicable plans and policies.
EVIDENCE: a) During the course of review of this application, the project has been reviewed for consistency with the text, policies, and regulations in the Monterey County General Plan, as amended, North County Area Plan, as amended, North County Area Plan Inventory and Analysis, Monterey County Subdivision Ordinance (Title 19), Monterey County Code Section 18.50, Monterey County Code Section 18.51, and the Monterey County Zoning Ordinance (Title 21). Conflicts were found to exist.
b) The project consists of subdividing two parcels totaling 79.5 acres into 32 lots with 31 single family homes and 4 inclusionary (apartment) units. The project site is located between San Juan Road and Rea Avenue in the Aromas area (APN: 267-123-031-000 and

267-051-014-000). The General Plan Land Use Map (Figure 13a) and the North County Area Plan designate the site for "Residential - Low Density, 5-1 acres per unit. Consistent with the land use plan designations, the Monterey County Zoning Ordinance designates the project site as "LDR/2.5" or Low-Density Residential, 2.5 acres per unit. The lots range in size from 1.0 to 15.9 acres, for an average density of 2.27 acres per dwelling unit. As part of the application, the applicant has requested a density bonus pursuant to Government Code Section 65915 (State Density Bonus Law) which requires that the County provide a density bonus for qualified projects. Government Code Section 65915(g) defines density bonus as "... a density increase over the otherwise maximum allowable residential under the applicable zoning ordinance and land use element of the general plan as of the date of application to the city, county, or city and county." This project qualifies by providing four low income rental units on the site (i.e., 11% of the total units) and therefore is entitled to a 21.5% density bonus. The project would be allowed up to a total of 31.8 units without a density bonus and 38.6 units with a density bonus. Therefore, the proposed density of this project is in compliance with applicable regulations.

c) The Planning Commission finds that the proposed project is inconsistent with the following General Plan goals, objectives and policies:

- **Goal 53 (Water Service) - To promote adequate water service for all county needs.**
- **Objective 53.1 - Achieve a sustained level of adequate water services.**
- **Policy 53.1.3 - The County shall not allow water consuming development in areas which do not have proven adequate water supplies.**

The Heritage Oaks subdivision would receive potable water from the Aromas Water District (AWD) via groundwater sources as confirmed in a "can and will serve" letter dated July 25, 2006 and re-confirmed in a letter dated July 20, 2009. The AWD is a multi-county special district serving customers in both San Benito and Monterey counties, with two wells in San Benito County and two wells in Monterey County (one of the wells in San Benito County is currently pumping and both wells in Monterey County are pumping). The AWD's San Juan and Pleasant Acre wells are located within the boundaries of the Highlands North subarea. The Carpenteria well is located in San Benito County. It is outside of the Highlands North subarea, a political boundary, but hydraulically connected to the Highlands North subarea. The AWD's letters are supported by annual Water Capacity Reports, as last revised in 2008. The AWD's 2008 Capacity Report, as it relates to Heritage Oaks, is explained in a letter from the

AWD dated July 20, 2009. The AWD is permitted for four wells with a design capacity of 2,070 GPM. The current demand is 583 GPM and total buildout using existing zoning, including Heritage Oaks, is 925 GPM, less than 50% of the design capacity of 2,070 GPM. The wells provide sufficient quality and quantity to supply the proposed subdivision in the near term. However, the Planning Commission finds that the project does not have proven water supplies because the area in which the Aromas Water District's wells are located is in a state of overdraft. The Highlands North Subbasin is in a state of overdraft because current land uses withdraw water faster than the rate of recharge. The overdraft conditions in North County were identified by the North Monterey County Hydrogeologic Study – Volume I and II prepared by Fugro dated October 1995, reiterated in the Revised Hydrogeologic Assessment and acknowledged in the Recirculated Draft EIR. According to the Revised Hydrogeologic Assessment (page 18), Highlands North aquifers are overdrafted about 1,860 acre-feet (or 39 percent) beyond its annual safe yield. The Revised Hydrogeologic Assessment (pages 21–23) reviewed water-level data in the area of the Heritage Oaks subdivision. All of the wells that were reviewed demonstrated a drop in water elevation over each respective period of monitoring. The general trend of groundwater depletion, shown in six of the seven wells in the vicinity of the project, appears to confirm Fugro's conclusion that the Highlands North subbasin and the area from which the AWD's wells draw is in chronic overdraft and that the groundwater table is declining by as much as one foot per year. Although the water entering the ground beneath the Heritage Oaks subdivision is expected to increase as a result of the proposed development as compared to pre-development conditions, overall, the Highlands North subarea will remain in overdraft and the elevation of groundwater in the area will continue to decline. According to the Fugro report, seawater is reported to be migrating landward as groundwater is being overdrafted from the Highlands North subarea. Continued overdrafting of groundwater will exacerbate seawater intrusion. The site is within the jurisdiction of the Pajaro Valley Water Management Agency (PVWMA) which does not have a funded program to provide additional water to the area. Because the Highlands North Subarea currently lacks a sustained level of adequate water supply and would remain in this condition with project implementation, and because of uncertainty in regard to the PVWMA's major water projects, the Planning Commission finds that the proposed project is inconsistent with Goal 53, Objective 53.1 and related policies.

- d) The following North County Area policies apply to the proposed project:
- **Policy 6.1.4 - New development shall be phased until a safe, long-term yield of water supply can be demonstrated and maintained. Development levels that generate water demand**

exceeding safe yields of local aquifers shall only be allowed once additional water supplies are secured.

The North County Area Plan does not contain a definition of “*safe, long term yield of water supply*.” However, the rules in effect in October 1999 when the application was deemed complete included a definition in the County’s Subdivision Ordinance, Title 19. Section 19.02.143 (Ordinance 3855, 1996) defines long term water supply (safe yield) as “*the amount of water that can be extracted continuously from the basin or hydrogeologic sub-area without degrading water quality, or damaging the economical extraction of water, or producing unmitigatable adverse environmental impacts.*” There are two major components to proof of long term water supply (safe yield). The first aspect requires that the source of supply be available to meet peak day demand, or in other words, the well(s) will produce sufficient quality and quantity to supply the domestic needs of the subdivision. The second aspect involves addressing the security of the groundwater supply or adverse impacts resulting from this withdrawal of groundwater. Because the Aromas Water District wells proposed to serve the project draw from a subbasin that is in chronic overdraft and there are no current plans or projects proposed for securing additional water resources, the Planning Commission finds that the project is inconsistent with Policy 6.1.4 (see Finding 1.c. above).

- **Policy 26.1.4.3 - A standard tentative subdivision map and/or vesting tentative and/or preliminary project review subdivision map application for either a standard or minor subdivision shall not be approved until: 1) The applicant provides evidence of an assured long term water supply in terms of yield and quality for all lots which are to be created through subdivision. A recommendation on the water supply shall be made to the decision making body by the County’s Health Officer and the General Manager of the Water Resources Agency, or their respective designees; and 2) The applicant provides proof that the water supply to serve the lots meets both the water quality and quantity standards as set forth in Title 22 of the California Code of Regulations, and Chapters 15.04 and 15.08 of the Monterey County Code subject to the review and recommendation by the County’s Health Officer to the decision making body.**

Because the applicant has not submitted evidence of an assured long term water supply in terms of yield for all lots which are to be created through subdivision, the Planning Commission finds that the proposed project is inconsistent with Policy 26.1.4.3 (see Finding 1.c. above).

- e) The North Monterey County Hydrogeologic Study – Volume I and II prepared by Fugro dated October 1995.
- f) Revised Hydrogeologic Assessment of the Proposed Heritage Oaks Subdivision prepared by Kleinfelder dated October 21, 2008.

- g) Heritage Oaks Subdivision Project Recirculated Portion of the Draft EIR prepared by Michael Brandman Associates dated December 26, 2008.
- h) The application, project plans, and related support materials submitted by the project applicant to the Monterey County Resource Management Agency – Planning Department for the proposed development found in Project File PLN980503.

2. **FINDING:** **SUBDIVISION ORDINANCE (TITLE 19)** – Four of the findings requiring denial of a subdivision set forth in Government Code Section 66474 and Section 19.03.025.F of the Subdivision Ordinance can be made.

- EVIDENCE:**
- a) Government Code Section 66474 and Section 19.03.025.F require that the subdivision be denied if any one of the findings is made
 - b) **The proposed tentative map is not consistent with the applicable general plan, area plan, coastal land use plan or specific plan.** The tentative map is inconsistent with Goal 53, Objective 53.1, Policy 53.1.3 and Policy 53.1.5 of the Monterey County General Plan or Policy 6.1.4 and Policy 26.1.4.3 of the North County Area Plan. (see Findings 1.c. and d. above).
 - c) **The design or improvement of the proposed subdivision is not consistent with general plan, area plan, coastal plan or specific plan.** The design or improvement of the proposed subdivision is inconsistent with Goal 53, Objective 53.1, Policy 53.1.3 and Policy 53.1.5 of the Monterey County General Plan or Policy 6.1.4 and Policy 26.1.4.3 of the North County Area Plan. (see Findings 1.c. and d. above).
 - d) **The design of the subdivision or type of improvements is likely to cause serious public health problems.** Because the Highlands North Subarea currently lacks a sustained level of adequate water supply and would remain in this condition with project implementation, the subdivision could cause serious public health problems in the long term (see Findings 1.c. and d. above).
 - e) **The subdivision does not meet the requirements or conditions of the Subdivision Map Act and the Subdivision Ordinance (Title 19).** The subdivision does not meet the findings for approval as set forth in Government Code Section 66474 or Section 19.03.025.F of the Monterey County Subdivision Ordinance.

3. **FINDING:** **CEQA** – CEQA does not apply to the proposed project.

- a) Pursuant to Public Resources Code Section 21080 and CEQA Guidelines Section 15270, CEQA does not apply to projects which are disapproved.
- b) The County of Monterey prepared a Final Environmental Impact Report (Final EIR) in compliance with CEQA, but the Final EIR was not certified by the Planning Commission.

4 **FINDING:** **PUBLIC HEARING** – The Planning Commission held a duly noticed public hearing on the project on September 30, 2009. On September 30, 2009, the Planning Commission passed a motion of intent to deny and directed staff to return on October 28, 2009 with a resolution of denial.

- EVIDENCE:** a) A public hearing notice was published in the Monterey County Herald on August 11, 2009. A public hearing notice was posted on August 15, 2009. A revised public hearing notice was published in the Californian on September 19, 2009. A revised public hearing notice was posted on September 18, 2009.
- b) The applicant and all members of the public who attended the hearing had the opportunity to testify and be heard.

DECISION

NOW, THEREFORE, based on the above findings and evidence, the Planning Commission does hereby deny the application (Aromas Heritage Oaks, LLC/PLN980503) for a Combined Development Permit consisting of a Standard Subdivision to divide approximately 79 acres into 32 parcels ranging in size from 1.0 acres to 15.91 acres, including one lot (Lot 32) with four inclusionary rental units; Use Permit for removal of approximately 367 protected oak trees (271 for roads and up to 96 on the individual lots); Use Permit for four inclusionary rental units; and grading (approximately 5,100 cubic yards cut and 5,100 cubic yards fill).

PASSED AND ADOPTED this 28th day of October, 2009 upon motion of xxxx, seconded by xxxx, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

MIKE NOVO, SECRETARY

COPY OF THIS DECISION MAILED TO APPLICANT ON

This decision, if this is the final administrative decision, is subject to judicial review pursuant to California Code of Civil Procedure Sections 1094.5 and 1094.6. Any Petition for Writ of Mandate must be filed with the Court no later than the 90th day following the date on which this decision becomes final.

NOTES

1. You will need a building permit and must comply with the Monterey County Building Ordinance in every respect.

Additionally, the Zoning Ordinance provides that no building permit shall be issued, nor any use conducted, otherwise than in accordance with the conditions and terms of the permit granted or

until ten days after the mailing of notice of the granting of the permit by the appropriate authority, or after granting of the permit by the Board of Supervisors in the event of appeal.

Do not start any construction or occupy any building until you have obtained the necessary permits and use clearances from the Monterey County Planning Department and Building Services Department office in Salinas.

2. This permit expires 4 years after the above date of granting thereof unless construction or use is started within this period.

EXHIBIT B

MARK A. CAMERON
JOHN S. BRIDGES
DENNIS G. MCCARTHY
JACQUELINE P. MCMANUS
CHRISTOPHER E. PANETTA
DAVID C. SWEIGERT
SARA R. BOYNS
SHARILYN R. PAYNE
BRIAN E. TURLINGTON
AMBER D. PASSNO
CAROL S. HILBURN
SHERYL L. AINSWORTH
TROY A. KINGSHAVEN
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GARY W. SAWYERS

October 21, 2009

JOHN S. BRIDGES

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ext. 238

VIA EMAIL AND HAND DELIVERY

Monterey County Planning Commission
c/o Carol Allen, Senior Secretary
168 W. Alisal Street, 2nd Floor
Salinas, CA 93901

Re: Heritage Oaks Subdivision (PLN980503)
Our File: 33277.30747

Dear Commissioners:

Fenton & Keller has been engaged by the project applicant, Wayne Holman, as co-counsel to respond to certain public testimony received during your September 30, 2009, hearing and to address the apparent confusion resulting therefrom. The Commission expressed strong consensus that the Heritage Oaks project is well designed, will be an enhancement to the local community (as also evidenced by the unanimous LUAC approval), and would otherwise be deserving of approval but for a single question which was perhaps best framed by Commissioner Isakson when she asked...

What is the definition of adequate long-term water supply that applies to this project?

The answer to that question has been provided, on numerous occasions, by the ultimate policy making and interpreting body of the County, the Board of Supervisors. The struggle the Planning Commission had on September 30 was that the answer to the question, (i.e., the applicable definition), was not thoroughly articulated in the proposed findings submitted by staff. The problem is not a substantive one. Because a definitive answer to this question exists it can easily be added to the findings. The findings for approval can (and should) be augmented to address this issue in greater detail. A proposed supplemental finding to accomplish this is attached for your consideration (Attachment 1). As Commissioner Brown aptly noted, the fact that the proposed findings provided on September 30 were lacking on this point does not justify or require denial of the project. Accordingly, we request you reconsider the question in light of the new information provided by this letter and, with the inclusion of a supplemental finding addressing the issue of long-term water supply, that you approve the project consistent with the

recommendations of the LUAC, the Subdivision Committee and all County departments and technical staff.

On September 30 there was no disagreement with the staff and County Counsel explanations that the ordinances, policies, and standards, applicable to the review of the Heritage Oaks project are those that were in effect in Monterey County in 1999 when the project application was deemed complete. Even counsel opposing the project on behalf of ACPG (Ms. Erickson) acknowledged this legal reality under the Subdivision Map Act (Govt. Code § 65961). As staff explained during the hearing, while the words of the General Plan and Area Plan policies have not changed since 1999, the interpretation and application of them has. Tom Moss from MCWRA described this change as an "evolution" of the policy over time. Although policy interpretation may change/evolve over time, under the Subdivision Map Act project applicants are protected from such change. The interpretation of policy that must be applied to a project is that which was in effect on the date the application was deemed complete. The interpretation of the policies addressing long-term water supply which is binding on the County for purposes of reviewing the Heritage Oaks project have been repeatedly expressed by the Board of Supervisors.

In 2004 the Board of Supervisors adopted Resolution No. 04-373 approving the Danbom Subdivision (PLN000360).¹ In that Resolution the Board determined that the project "conforms with the plans, policies, requirements, and standards of the Monterey County Subdivision Ordinance (Title 19), the General Plan, North County Area Plan, and the Monterey County Zoning Ordinance (Title 21). In the specific findings related to source capacity and water quality for the lots approved the Board determined "the net decrease in groundwater storage attributed to the proposed project is approximately 1.6 afy. In relation to the available 912,247 acre-feet capacity of the Highlands North Subarea, the draw from this proposal is insignificant and that the impact to source capacity and water quality resources will not substantially deplete groundwater supplies." Based on this data the Board specifically found the project consistent with North County Area Plan Policy 6.1.4 pertaining to demonstration of safe, long-term yield of water supply.

In 2005 the Board of Supervisors adopted Resolution No. 05-055 approving the Rancho Roberto Subdivision (PLN980685).¹ With regard to water for the project to be drawn from the Highlands North subbasin the Board found:

Finding 7.b The North Monterey County Comprehensive Water Resources Management Plan (January 2002) identifies that there is 912,247 acre-feet of water in storage in the Highlands North subbasin. There currently is no seawater intrusion in this subbasin and it is unlikely that seawater intrusion will occur in the future. With a current demand of 5, 612 acre-feet of water per year, there would be available supply for 162.3 years. If the worst-case scenario of total buildout were reached, there would be a supply available for 119 years. State laws (SB610 and

¹ Said Resolution and the administrative record supporting said approval is hereby incorporated by this reference into the administrative record of this matter.

SB221) that apply to larger residential development projects require proof of an available supply of water for at least 20 years. Using this basis as a standard to define long-term supply, the County finds that there is a long-term supply of water available for this project. (Emphasis added.)

In 2008 the Board of Supervisors adopted Resolution 08-374 approving the Rancho Los Robles Subdivision (PLN970159).¹ In addressing the issue of long-term water supply for the project the Board similarly found:

Finding 17.b...The North Monterey County Comprehensive Water Resources Management Plan (January 2002) identifies that there is 912,247 acre feet of water in storage in the Highlands North sub-basin. State laws (SB610 and SB221) that apply to larger residential development projects require proof of an available supply of water for at least 20 years. This established a State standard for long-term water supply. California Water Service Company prepared a "Water Supply Assessment Report for Rancho Los Robles, Monterey County, California" (L113070525) dated June 22, 2006, pursuant to SB610 indicating that there was an available supply of water. With a current demand of 5,612 acre feet of water per year, there would be an available supply for 162.3 years. If the worst-case scenario of total buildout under the LUP were reached, there would be a supply available for 119 years. Using this basis as a standard to define long-term supply, the County finds that there is a long-term supply of water available for this project. (Emphasis added.)

These pipeline projects (each exempt from Ord. 4083; the 9-26-00 North County moratorium) were subject to the same ordinances, policies, and standards in effect when the Heritage Oaks project application was deemed complete in 1999 and the Board of Supervisors has consistently applied those ordinances, policies, and standards, as required under the Subdivision Map Act, regardless of when the project was approved (i.e., 2004, 2005, or 2008).² Because these are the same ordinances, policies, and standards applicable to the pipeline Heritage Oaks project staff is recommending approval of the project. As the record reflects, the existing water storage in the Highlands North Subbasin remains the same. The fact of continuing overdraft does not mean that there is no long-term supply for the project. The notion that the interpretation and application of these policies may have "evolved" over time to the point where a new subdivision application today might not be deemed consistent has no bearing on the legally applicable interpretation and application of water policies for the Heritage Oaks project.

We appreciate and respect the comments made by Commissioner Diehl on September 30 about precedent. It is that very concept of precedent that not only enables but requires an affirmative finding of adequate long-term water supply for the Heritage Oaks project. The

² The Planning Commission's October 29, 2008, attempt to apply a different water supply standard to the Rancho Los Robles project was overruled by the Board of Supervisors.

precedent has repeatedly been set by the Board of Supervisors for pipeline projects and the Map Act as well as constitutional principles of equal protection require fair and consistent application of that precedent to this project. While for future projects, current policy interpretation and/or the new General Plan Update definitions may apply prospectively, those new interpretations/definitions cannot and do not apply to the Heritage Oaks project.

When applying this established legally applicable standard to the Heritage Oaks project we see the factual circumstances of the project are actually better, water-wise, than for the other subdivisions approved under the same ordinances, policies, and standards. Heritage Oaks water will be provided by a public water system, the Aromas Water District, whose safe yield capacity is more than 200% of current buildout demand. It is worth noting here that when the GPU is finally adopted, potential future buildout in the area will be significantly less than calculated due to new GPU policies that will preclude further subdivisions in North Monterey County for the foreseeable future. Also as noted by staff, when the Heritage Oaks project area was annexed into the Aromas Water District in 2007 the potential impacts of water service to the project were considered under CEQA and determined consistent with the General Plan (Attachment 2). Similarly, the use and treatment of water from the San Juan well was also considered and found consistent with these policies.

Supplemental evidence regarding the Aromas area safe yield analysis is included in the attached December 18, 1995, report from Woodward-Clyde Consultants (Attachment 3) which determines the safe yield for the Aromas area conservatively estimated to be 1,833 acre-feet per year which was in excess of the projected demand at that time. The actual water demand today is far less due to changes to once anticipated projects (e.g., the Rancho Larios project which originally included a golf course was proposed to use 603 afy. The golf course was not built and the actual established water use for the 140 homes built is only 112 afy ($140 \times .8 = 112$)). Safe yield for the AWD service area was reconfirmed by the AWD on July 20, 2009 (Attachment 4). All of this data has also been reviewed by Fall Creek Engineering (Attachment 5) who have opined:

...groundwater usage in the Aromas Area groundwater basin is below the recommended safe yield of the basin. This establishes that the groundwater basin provides a long-term and sustainable source of water for the Aromas area residents, the Aromas Water District, and the proposed Heritage Oaks Subdivision.

and

...the recommended safe yield and groundwater pumping data indicate that groundwater basin is and will remain a long-term and sustainable source of water supply in the Area and specifically for the Heritage Oaks Subdivision project.

AWD water capacity, quality and quantity to serve the project was also specifically confirmed at the September 30 hearing by both MCWRA (Mr. Moss) and MCEHD (Mr. VanHorn). AWD's technical, managerial, and financial capabilities are also beyond question (Attachment 6).

In addition, as the EIR concludes, the Heritage Oaks project will result in a net positive water balance/return to the groundwater basin of 1.3 acre-feet per year. This is in contrast to the Danborn water balance of a negative 1.6 acre-feet per year and the Rancho Roberto water balance of a negative 1.5-4.5 acre-feet per year. Moreover, the water balance benefit for Heritage Oaks is extremely conservative. The water demand figure of .8 acre-feet per year per unit is, according to the Fugro Report, a "gross" water demand estimate. The correct starting point number for analysis should actually be .4 afy which is the "net" water demand (after accounting for 50% recharge from septic). Also, as noted by staff, actual records of water usage in the Aromas area show substantially less use than the conservative estimates applied to the project's water balance calculation. The project will also be subject to myriad water conservation conditions and the project will, by design, capture and recharge storm water runoff. In addition to all of this being documented and confirmed in the independent EIR prepared by the County for the project, the positive water balance for the project has also been independently confirmed by the Monterey County Water Resources Agency.

As County Counsel explained, the 1999 rules are the ones that apply and the staff's proposed findings for approval are legally defensible under those rules. County Counsel advised that with regard to the issue of General Plan, Area Plan, and Title 19 consistency, the project is consistent. County Counsel then went on to explain that the Planning Commission's discretion in this case is limited to considerations under CEQA and the routine health and safety findings required for the use permit.

With regard to CEQA, the physical impact of this project regarding water is a net benefit. As staff explained, this means that the project does not and cannot be legally determined to adversely contribute to a negative cumulative impact. In addition, concern expressed by Commissioners regarding potential project impacts to existing homes in the area was misplaced because approval of the project will actually improve the long-term water conditions for the surrounding homes. Denial of the project would perpetuate the existing conditions and water use which would result in a greater use of water than the project would. Thus, the project cannot be found to have a detrimental effect on the health and safety of the surrounding area. To the contrary, as recommended by staff the correct health and safety finding is that, "the proposed project would not have an adverse effect on seawater intrusion but would rather contribute to recharging the aquifer over and above the existing condition resulting in a net beneficial impact with regard to seawater intrusion in North County."

The staff recommended approval findings are irrefutable based upon the evidence in the record which includes no fewer than twelve project specific water related analyses and independent reviews by the County hired EIR consultant, the Monterey County Water Resources Agency, and the Monterey County Environmental Health Department. There is no substantial evidence in the record to the contrary. The arguments put forth by Ms. Erickson on behalf of her client do not constitute substantial evidence for any legal purpose. Indeed, Ms. Erickson acknowledged that the technical opinions of staff constitute substantial evidence in this case. Each and every County department recommended approval of the project by affirmative vote on the Subdivision Committee and then defended those recommendations before you on September 30.

During her testimony on September 30, Ms. Erickson did a masterful job of misleading the Planning Commission by mixing and confusing the applicable 1999 ordinances, policies, and standards with current 2009 rules, by incorrectly comparing projects vested in 1999 with more recent projects, and by transposing and intermixing CEQA standards with General Plan consistency standards. One Commissioner referred to her testimony as the mixing of apples and oranges. As noted by Commissioner Brown and staff, Ms. Erickson's reliance on a superseded 2007 memo from a Water Resources Agency consultant related to an earlier project design and did not take into account the revised design required by the County (which revised design resulted in the revised and recirculated EIR). Ms. Erickson's repeated reference to her "packet" of memos and excerpted quotes therefrom repeatedly misconstrued and misapplied the meaning and intent of the departments from which those memos came (e.g., Water Resources Agency, Planning, and Environmental Health) insofar as this project is concerned as evidenced by the fact that each of those departments disagreed with Ms. Erickson and, after analyzing the project in light of all the evidence in the record and after applying the legally applicable standards unanimously recommended approval of the project subject to the mitigations defined in the EIR.

Ms. Erickson's contention that because the project intensifies water use it contributes to cumulate impact and therefore harms existing users and is inconsistent with the General Plan and Area Plan policies is wrong at every level. First, the project will not intensify water use, it will reduce water use. Second, because the project does not intensify water use it will not contribute to any adverse cumulative impact. Third, because the project actually benefits the basin it will improve circumstances for existing users not harm them. Finally, as explained above, the applicable policy consistency standards defined by the Board of Supervisors allow for up to a negative water balance of 4.5 acre-feet per year while the Heritage Oaks project will result in a net positive water balance of at least 1.3 acre-feet per year.

Ms. Erickson also wrongly attempted to compare the Heritage Oaks project with the pending (continued to March 2010) Spanish Congregation project. The Spanish Congregation project water balance calculation was different because that project did not include on-site septic which results in substantial on-site recharge. Instead, the Spanish Congregation wastewater is sewerred to Watsonville. In addition, the Spanish Congregation project recharge proposal was a single basin design rather than separate infiltration trenches on each lot. A similar single basin approach originally proposed for the Heritage Oaks project was rejected and the resulting redesign was approved by the County and was addressed in the revised/recirculated EIR for the project. Finally, the Spanish Congregation project did not have the benefit of a comprehensive water analysis confirmed by an independent EIR.

Ms. Erickson also took issue with the average rainfall figures used by the experts. In response Tom Moss explained and defended the basis for the average rainfall number used in the calculation.³ Of equal importance, is the fact that the question here is about "long-term" water supply/balance and the use of averages is exactly what good science would require to address the long-term question. Ms. Erickson's manipulative use of data from a particular seven-year period which, on its face would appear to conflict with the average, is yet another example of

³ Mr. Moss has also refuted Ms. Erickson's other contentions (e.g., use of basin storage water below sea level is of no consequence to seawater intrusion due to physical distance from the sea).

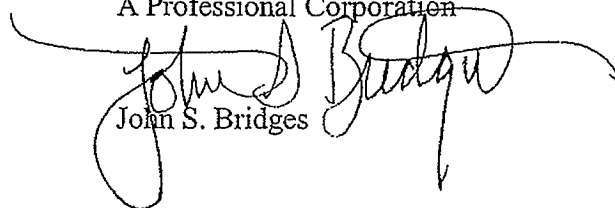
misleading testimony, selective data presentation, inconsistent theories, and inapplicable legal standards.

As noted above, Ms. Erickson's obviously biased argument on behalf of her client (while perhaps effective to confuse and mislead the Planning Commission) does not constitute evidence capable of refuting the independent scientific analyses contained in the EIR and affirmed by all County technical staff. Ms. Erickson and her client had opportunity to (and did) comment on the technical aspects of the analyses contained in the EIR including the details pertaining to water balance, demand, recharge, and rainfall, but her opinions have been consistently refuted by the experts.

In conclusion, the question that seemed to stump the Planning Commission on September 30, "What is the definition of adequate long-term water supply that applies to this project?" has an answer. That answer has been consistently provided by the Board of Supervisors. That Board's interpretation and application of the General Plan and Area Plan policies is what constitutes the legal standard applicable to the Heritage Oaks project. When that legally applicable standard is applied to the project, the only conclusion that can be reached with regard to policy consistency is an answer in the affirmative. To apply a different standard would be illegal under the Subdivision Map Act and would be a violation of the applicant's right to constitutional equal protection. We understand the majority sentiment of the Planning Commission on September 30 was to approve the project if the long-term water supply finding could be made. That finding can and should be made and the project should be approved. Mr. Holman has participated in good faith with the County's review and approval process for over 10 years. He has redesigned his project per County direction. He has paid for the EIR the Commission asked for. That EIR has been twice circulated and concludes the project's impacts have all been mitigated. Mr. Holman deserves to have his project reviewed and approved under the legally applicable ordinances, policies, and standards. He deserves fair treatment and equal protection.

Very truly yours,

FENTON & KELLER
A Professional Corporation



John S. Bridges

JSB:kmc
Enclosures

cc: (all w/encs.; via email)
Alana Knaster
Mike Novo
Bob Schubert
Charles McKee (c/o Wendy Strimling)
MCWRA (c/o Tom Moss)
Wayne Holman

ATTACHMENT 1

PROPOSED SUPPLEMENTAL FINDING FOR APPROVAL OF THE HERITAGE OAKS SUBDIVISION PROJECT (PLN980503) REGARDING LONG-TERM WATER SUPPLY

FINDING: The project is consistent with all applicable County ordinances, policies, and standards regarding long-term water supply including, without limitation, General Plan Policy 53.1.3 and North County Area Plan Policy 6.1.4.

EVIDENCE:

- A. The North Monterey County Comprehensive Water Resources Management Plan (January 2002) identifies that there is 912, 247 acre-feet of water in storage in the Highlands North sub-basin. State laws (SB610 and SB221) that apply to larger residential development projects require proof of an available supply of water for at least 20 years. This established a State standard for long-term water supply. With a current demand of 5,612 acre-feet of water per year, there would be an available supply of 162.3 years. If the worst-case scenario of total buildout under the General Plan were reached, there would be a supply available for 119 years. Using this basis as a standard to define long-term supply, the County finds that there is a long-term supply of water available for this project.
- B. The project includes drainage and infiltration facilities that would result in a 1.3 acre-foot per year net increase in recharge compared to existing conditions and minimization of runoff from the property.
- C. The Heritage Oaks Subdivision Project Draft EIR prepared by Michael Brandman Associates dated October 17, 2007, the Heritage Oaks Subdivision Project Re-circulated Portion of the Draft EIR prepared by Michael Brandman Associates dated December 26, 2008, and the Heritage Oaks Subdivision Final EIR prepared by Michael Brandman Associates dated August 2009.
- D. The application, project plans, and related support materials submitted by the project applicant to the Monterey County Resource Management Agency -- Planning Department for the proposed development and contained in project file PLN980503.
- E. Testimony of technical staff from the Monterey County Resource Management Agency -- Planning Department, Monterey County Water Resources Agency, and Monterey County Environmental Health Department provided during public hearings on the project.
- F. Correspondence in the record from the Aromas Water District including, without limitation, the letter to Mr. Bob Schubert dated July 20, 2009, confirming water service to the Heritage Oaks Subdivision is within the safe yield of the Aromas Water District capacity.
- G. Technical studies and water analyses submitted for the project including, without limitation, the following:

- a. Aromas Water District. 2005 Annual Water Quality Report. 2005. Accessed October 20, 2008. Available online at: <http://www.aromaswaterdistrict.org/aromascrr2005.doc>
- b. Aromas Water District. 2006 Annual Water Quality Report. 2006. Accessed October 20, 2008. Available online at: <http://www.aromaswaterdistrict.org/aromascrr2006.doc>
- c. Aromas Water District. 2007 Annual Water Quality Report. 2007. Accessed October 20, 2008. Available online at: <http://www.aromaswaterdistrict.org/aromascrr2007.doc>
- d. Bauldry Engineering, Inc. Retention Basin Site Evaluation, Heritage Oaks Subdivision, Aromas, California. November 2007.
- e. Fall Creek Engineering, Inc. Drainage Analysis and Preliminary Drainage Plan Heritage Oaks Subdivision, Aromas, California, APN: 267-051-014 and 267-123-031. March 2007.
- f. Fall Creek Engineering, Inc. Revised Hydrogeologic Assessment and Groundwater Recharge Estimate, Heritage Oaks Subdivision, Aromas, California. November 2007.
- g. Fall Creek Engineering, Inc. Revised Drainage Analysis and Preliminary Drainage Plan, Heritage Oaks, Aromas, California. June 2008.
- h. Grice Engineering and Geology, Inc. The Addendum to the Percolation & Groundwater Study with Septic System Design Recommendations for the Proposed Heritage Oaks Subdivision report. May 1999.
- i. Grice Engineering and Geology, Inc. The Geotechnical Soils-Foundation and Geologic Hazards Report for the Heritage Oaks Subdivision report. April 1999.
- j. Grice Engineering and Geology, Inc. The Percolation & Groundwater Study with Septic System Design Recommendations for the Proposed Heritage Oaks Subdivision Report. April 1999.
- k. Grice Engineering and Geology, Inc. Water Balance Evaluation and Report, Heritage Oaks Subdivision Rea Avenue, Aromas California. September 2000.
- l. Kleinfelder, Inc. Revised Hydrogeologic Assessment of the Proposed Heritage Oaks Subdivision Report (and all site investigations referenced therein). October 2008.

H. Each of the preceding and following findings and evidence pertaining to water for the project including, without limitation, findings and related evidence 1, 2, 3, 5, 12, 18, and 22. Said findings and evidence are incorporated by this reference herein.

ATTACHMENT 2

AROMAS WATER DISTRICT

MONTEREY COUNTY
ANNEXATION PROJECT

**INITIAL STUDY AND NEGATIVE
DECLARATION**

PREPARED FOR THE AROMAS WATER DISTRICT
AUGUST 2007

Notice of Intent

Adoption of an Initial Study and Negative Declaration for the Proposed Monterey County Annexation Project

The Aromas Water District (AWD) proposes to adopt a Negative Declaration for the above-referenced project, which consists of the annexation of all parcels in the Monterey County Sphere of Influence established in 1984. The proposal would allow the possibility of water service and hydrants for fire protection in the newly annexed area.

Pursuant to the requirements of the California Environmental Quality Act (CEQA), an Initial Study has been prepared for this project. Based upon the results of the Initial Study, it has been determined that, there would be no significant adverse environmental impacts. Therefore, adoption of a Negative Declaration is proposed.

In accordance with CEQA guidelines Section 15072 (f)(5), the project sites are not located on any list enumerated under Section 65962 of the Government Code, including, but not limited to lists of hazardous waste facilities, hazardous properties, or hazardous waste disposal sites.

The AWD will be accepting comments on the Initial Study/Negative Declaration (IS/ND) from **September 15, 2007 to October 15, 2007**. A public hearing for the project is tentatively scheduled for Oct. 23, 2007 at 7:00 pm at 387 Blohm Ave, Aromas. Written comments may be sent to:

**Larry Cain (831) 726-3155
General Manager
Aromas Water District
387 Blohm Ave.
PO Box 388
Aromas, CA 95004**

The IS/ND and all associated documents are available for public review during regular business hours at the AWD office M-W-F between 9-5 and the following location:

Monterey County Planning Dept.
168 West Alisal Street (Second Floor)
Salinas, CA 93901

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PROJECT DESCRIPTION

This project involves the annexation of properties in the established Sphere of Influence that would be eligible for water service from the Aromas Water District. It does not involve any construction or activities related to construction as far as an actual physical change to the environment. The installation of pipelines and related improvements necessary to serve these new connections and any resulting projects would necessarily be subject to all requirements and regulations in place by Monterey County Resource Management as to its impact on the environment.

The current Sphere of Influence of the Aromas Water District (the District) in Monterey County was established 23 years ago, in 1984. This proposal is to annex the previously unannexed parcels in that Sphere of Influence. Annexation would enable the District to provide service to those parcels having an unreliable water source as well as any new construction that would possibly be allowed by the county. The annexation proposal includes 159 parcels totaling 738 acres. The property in the annexation is substantially built out. There are a total of 17 vacant parcels in the proposed annexation.

For additional information, refer to the "Capacity Report" attached.

According to the Monterey County General Plan adopted January 3, 2007, Chapter 6, the Public Service Element Goal PS 2.3, "New development shall be required to connect to existing water service providers where feasible. Connection to public utilities is preferable to other providers." Monterey County Code Public Services Chapter 15.04.006 states that County policy wishes to reduce the proliferation of water systems by consolidation and incorporation into public utilities. The Department of Health Services discourages the proliferation of new wells within our current Sphere of Influence. Annexation of the parcels within the Sphere into the Aromas Water District will discourage the creation of new wells and new small mutual water associations. It is the intention of the District that, by annexation, good planning will be set in motion by both the Aromas Water District and Monterey County. It is the District's intention that the act of planning for growth does not induce growth, but rather prepares us for reasonable expansion to serve those properties that logically would be served because of their proximity to our existing wells (sources), distribution system (pipelines and tanks) and current customers. Clearly, the District must focus on providing service to its local area in the existing sphere. By concentrating its attention on the annexation of the established Sphere of Influence in Monterey County, the District hopes to minimize the proliferation of small private water systems, provide service to residents with failing water supplies and bring about the added advantage of better fire protection.

The annexation is considered a project under the California Environmental Quality Act because it could trigger events in the future that could have an effect on the environment. It cannot be known at this time where the exact location of new pipelines or other facilities would be as a result of any new connections. The Aromas Water District would necessarily address environmental concerns when specifics of any proposed construction are known.

APPENDIX G

Environmental Checklist Form

1. Project title: AROMAS WATER DISTRICT ANNEXATION OF SPHERE OF INFLUENCE
WITHIN MONTEREY COUNTY
2. Lead agency name and address:

AROMAS WATER DISTRICT
PO BOX 388
AROMAS, CA 95004
3. Contact person and phone number: LARRY CAIN (831)726-5070
4. Project location: AROMAS, CALIFORNIA
5. Project sponsor's name and address:

AROMAS WATER DISTRICT
PO BOX 388
AROMAS, CA 95004
6. General plan designation: RURAL RESIDENTIAL,
WITH LOW AND MEDIUM DENSITIES
7. Zoning: RDR, MDR, and LDR
8. The proposed project would annex all of the parcels in the Aromas Water District Sphere of Influence in Monterey County, which have not been annexed previously.

9. Surrounding land uses and setting:

Area surrounding the annexation proposal is mainly rolling hills with oak chaparral and eucalyptus groves. It is used primarily for residential and agriculture including berries, flower greenhouses, row crops and grazing. The main transportation arteries of San Juan Road and Carpenteria Ave surround the area.

10. Other public agencies whose approval is required (e.g., permits, financing approval, or participation agreement.)

Monterey County Local Agency Formation Commission (LAFCO): Boundary Change
Monterey County Resource Management Agency, Local Coastal Program (LCP)

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" as indicated by the checklist on the following pages.

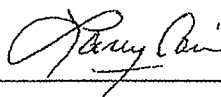
- | | | |
|--|---|---|
| <input type="checkbox"/> Aesthetics | <input type="checkbox"/> Agriculture Resources | <input type="checkbox"/> Air Quality |
| <input type="checkbox"/> Biological Resources | <input type="checkbox"/> Cultural Resources | <input type="checkbox"/> Geology /Soils |
| <input type="checkbox"/> Hazards & Hazardous Materials | <input type="checkbox"/> Hydrology / Water Quality | <input type="checkbox"/> Land Use / Planning |
| <input type="checkbox"/> Mineral Resources | <input type="checkbox"/> Noise | <input type="checkbox"/> Population / Housing |
| <input type="checkbox"/> Public Services | <input type="checkbox"/> Recreation | <input type="checkbox"/> Transportation/Traffic |
| <input type="checkbox"/> Utilities / Service Systems | <input type="checkbox"/> Mandatory Findings of Significance | |

DETERMINATION: (To be completed by the Lead Agency)

On the basis of this initial evaluation:

- ☒ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- ☐ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- ☐ I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
- ☐ I find that the proposed project MAY have a "potentially significant impact" or "potentially significant unless mitigated" impact on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- ☐ I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

Signature



Date

9/10/2007

Signature

Date

EVALUATION OF ENVIRONMENTAL IMPACTS

Issues:

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
I. AESTHETICS -- Would the project:				
a) Have a substantial adverse effect on a scenic vista?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
c) Substantially degrade the existing visual character or quality of the site and its surroundings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
II. AGRICULTURE RESOURCES: In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. Would the project:				
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
c) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
<p>III. AIR QUALITY -- Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:</p>				
a) Conflict with or obstruct implementation of the applicable air quality plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
d) Expose sensitive receptors to substantial pollutant concentrations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
e) Create objectionable odors affecting a substantial number of people?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
<p>IV. BIOLOGICAL RESOURCES -- Would the project:</p>				
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or US Fish and Wildlife Service?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
direct removal, filling, hydrological interruption, or other means?				
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
V. CULTURAL RESOURCES -- Would the project:				
a) Cause a substantial adverse change in the significance of a historical resource as defined in '15064.5?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to '15064.5?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
d) Disturb any human remains, including those interred outside of formal cemeteries?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
VI. GEOLOGY AND SOILS -- Would the project:				
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✗

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
ii) Strong seismic ground shaking?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
iii) Seismic-related ground failure, including liquefaction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
iv) Landslides?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
b) Result in substantial soil erosion or the loss of topsoil?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
VII. HAZARDS AND HAZARDOUS MATERIALS B Would the project:				
a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
result, would it create a significant hazard to the public or the environment?				
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
VIII. HYDROLOGY AND WATER QUALITY				
-- Would the project:				
a) Violate any water quality standards or waste discharge requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (c.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?	<input type="checkbox"/>	<input type="checkbox"/>	×	<input type="checkbox"/>
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
e) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
f) Otherwise substantially degrade water quality?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×
j) Inundation by seiche, tsunami, or mudflow?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	×

Discussion:

The Aromas Water District has the capacity to serve the parcels that could request service as a result of the annexation proposal (2006 Capacity Study). Property owners with private wells connecting to the Aromas Water District would cause a minimal amount of change in water being taken from the aquifer because District water would replace private water. If the county approves subdivisions and new homes, the total number allowed by current zoning would not have a significant effect on the aquifer. The District rate structure is designed to encourage conservation.

IX. LAND USE AND PLANNING - Would the project:

- a) Physically divide an established community?
- b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local

coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?

c) Conflict with any applicable habitat conservation plan or natural community conservation plan?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

X. MINERAL RESOURCES -- Would the project:

a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?

b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	--------------------------	--------------------------	-------------------------------------

XI. NOISE -- Would the project result in:

a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?

b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	--------------------------	--------------------------	-------------------------------------

c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	--------------------------	--------------------------	-------------------------------------

d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	--------------------------	--------------------------	-------------------------------------

e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	--------------------------	--------------------------	-------------------------------------

f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	--------------------------	--------------------------	-------------------------------------

XII. POPULATION AND HOUSING -- Would the project:

the project:

- | | | | | |
|---|--------------------------|--------------------------|-------------------------------------|-------------------------------------|
| a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

Discussion:

The population growth that could result from undeveloped lots being built out and supplied with water from the District would be in accordance with all existing planning and zoning regulations of Monterey County.

XIII. PUBLIC SERVICES ☐ ☐ ☐ ☒

a) Would the project result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------|
| Fire protection? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Police protection? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Schools? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Parks? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other public facilities? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

XIV. RECREATION --

a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?

b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which might have an adverse physical effect on the environment?

☐
☐
☐
☒

XV. TRANSPORTATION/TRAFFIC -- Would the project:

a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)?

☐
☐
☐
☒

b) Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designated roads or highways?

☐
☐
☐
☒

c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?

☐
☐
☐
☒

d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?

☐
☐
☐
☒

e) Result in inadequate emergency access?

☐
☐
☐
☒

f) Result in inadequate parking capacity?

☐
☐
☐
☒

g) Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)?

☐
☐
☐
☒

XVI. UTILITIES AND SERVICE SYSTEMS
Would the project:

a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?

☐
☐
☐
☒

b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?

☐
☐
☒
☐

c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could

☐
☐
☐
☒

cause significant environmental effects?

d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed? ☐ ☐ ☐ ☒

e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project=s projected demand in addition to the provider=s existing commitments? ☐ ☐ ☐ ☒

f) Be served by a landfill with sufficient permitted capacity to accommodate the project=s solid waste disposal needs? ☐ ☐ ☐ ☒

g) Comply with federal, state, and local statutes and regulations related to solid waste? ☐ ☐ ☐ ☒

XVII. MANDATORY FINDINGS OF SIGNIFICANCE --

a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory? ☐ ☐ ☐ ☒

b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)? ☐ ☐ ☐ ☒

c) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly? ☐ ☐ ☐ ☒

Discussion:

The area of the proposal utilizes individual septic tanks for wastewater treatment and disposal and, therefore, would have no impact on wastewater treatment facilities. It has been determined that the municipal water supply (the Aromas Water District) is adequate to serve the proposed annexation as currently zoned (see Capacity Report)

SUPPLY AND DEMAND:

Capacity of the Aromas Water District to Provide Service

Revised August 2007

The following charts show an estimation of the current capacity of the Aromas Water District to produce water as well as the number of services now, and the capacity for additional services in the future. The total number of potential services (meters) was determined by adding the number of current meters, the activation of all inactive meters and the addition of new services to parcels and potential lot splits of parcels in Monterey and San Benito Counties within the Aromas Water District Spheres of Influence, as currently zoned.

The gallons per minute (gpm) factor was determined to be .66 gpm per meter. The determination of the gpm factor is calculated by the historically highest day of production and a factor of required capacity of transmission pipelines, storage tanks, pump stations, and treatment plants.

AROMAS WATER DISTRICT SERVICE STATISTICS WITH MAXIMUM POTENTIAL LOTS AS CURRENTLY ZONED (2006):

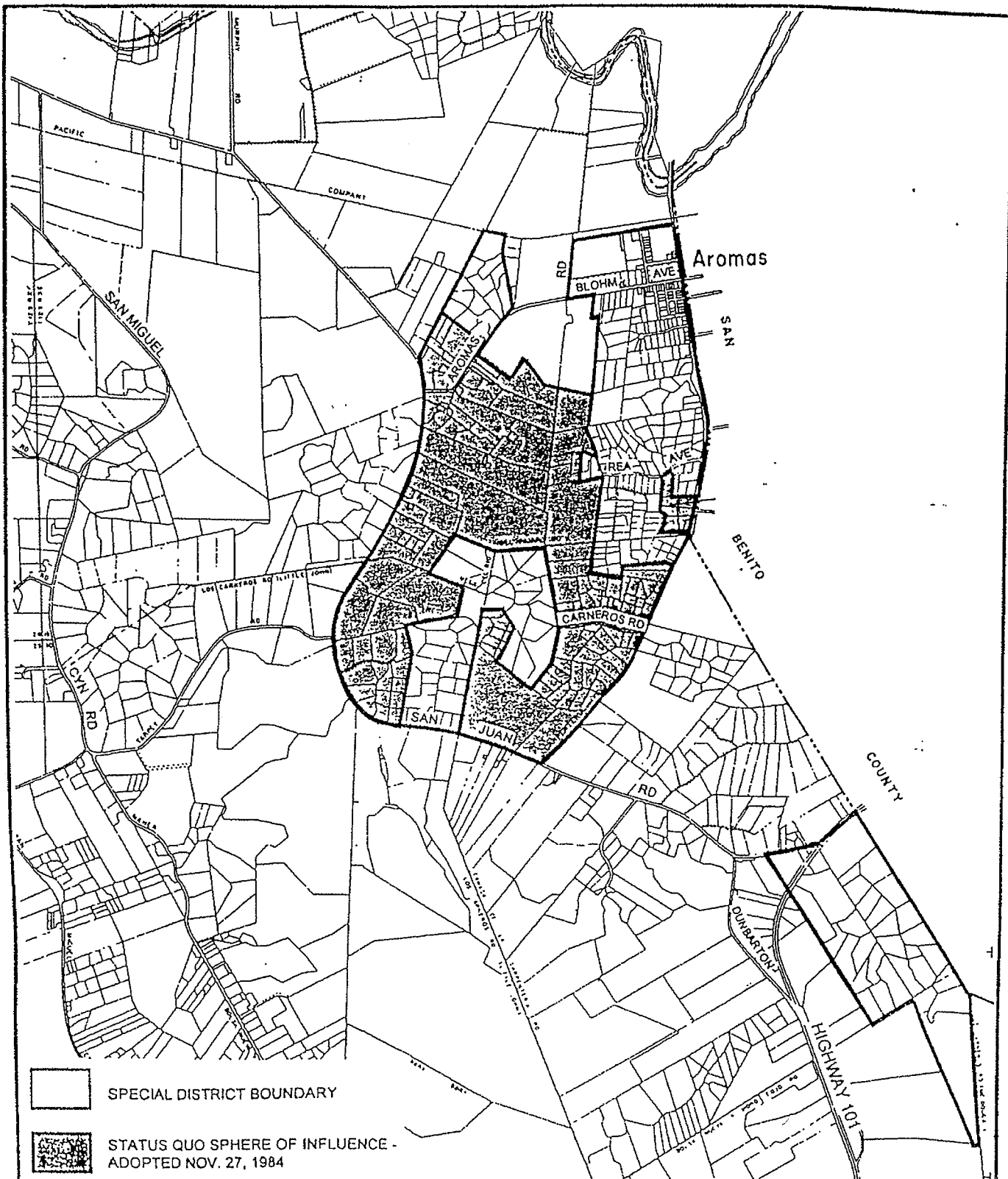
WATER DEMAND



Connections		Number Of Connections	GPM Demand (at .66 gpm factor)
A	Current Active Meters (Connections)	849	560 gpm
	Current Inactive Meters	35	23 gpm
	Total Current Meters	884	583 gpm
B	Annexed and Connected: Additional potential lots	43	28 gpm
	Annexed, not Connected: Additional potential lots	145	96 gpm
	Spheres of Influence: Additional potential lots	303	200gpm
	Total Potential Additional lots	491	324 gpm
	Grand Total Possible Build out (as estimated A+B)	1375	908 gpm

PRODUCTION

Sources	Current Capacity (gpm)	Design Capacity (gpm)
San Juan	700	700
Pleasant Acres	400	700
Carpenteria	120	465
Marshall Well	0	205
Total Capacity	1,220 gpm	2,070
Total Demand (Possible Build out includes current demand as well as potential demand created in the future by possible lot splits, as currently zoned)	908 gpm	908 gpm
Excess (gpm in excess of projected needs)	+312 gpm	+1162gpm

8/15/2007

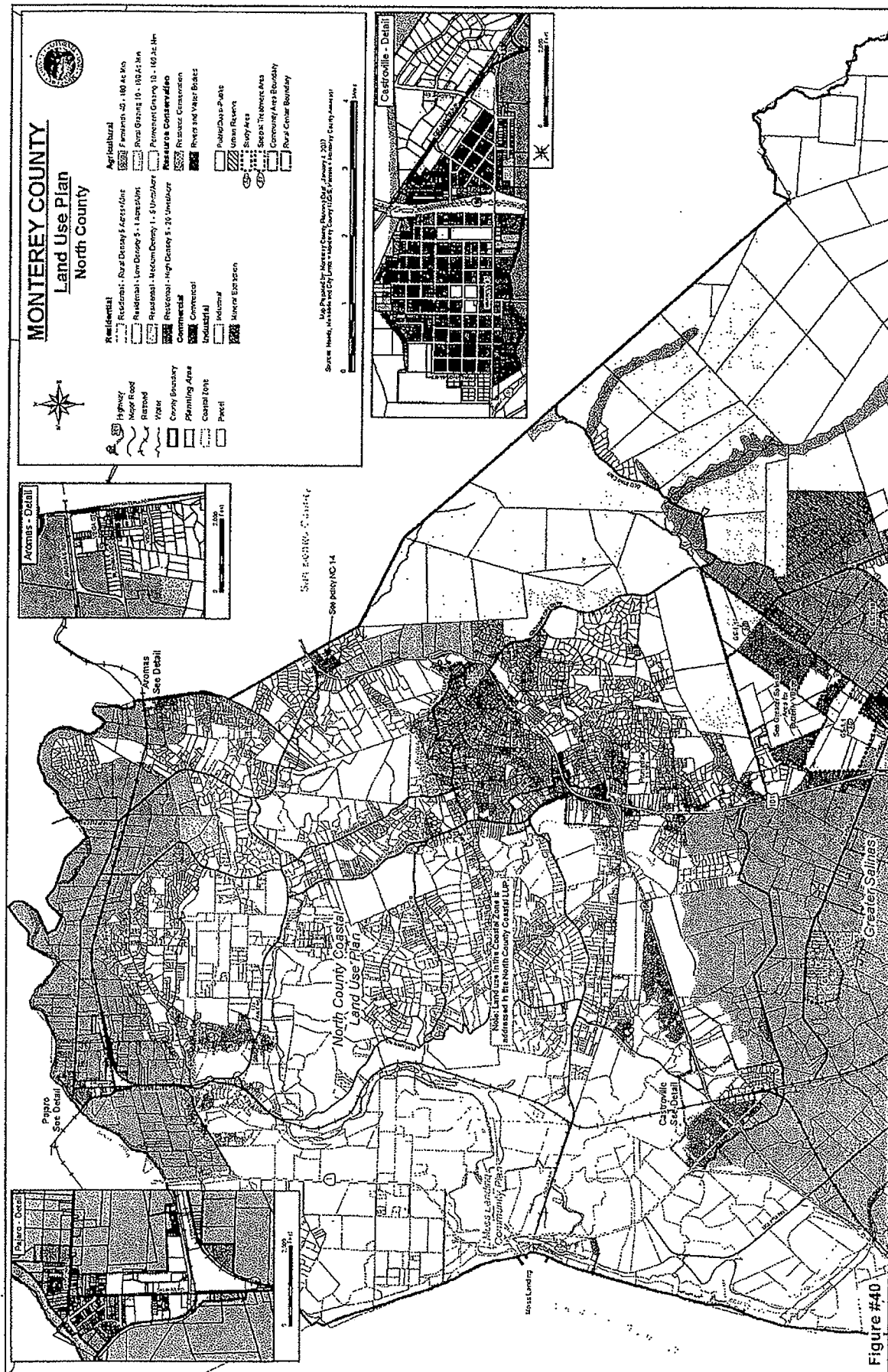


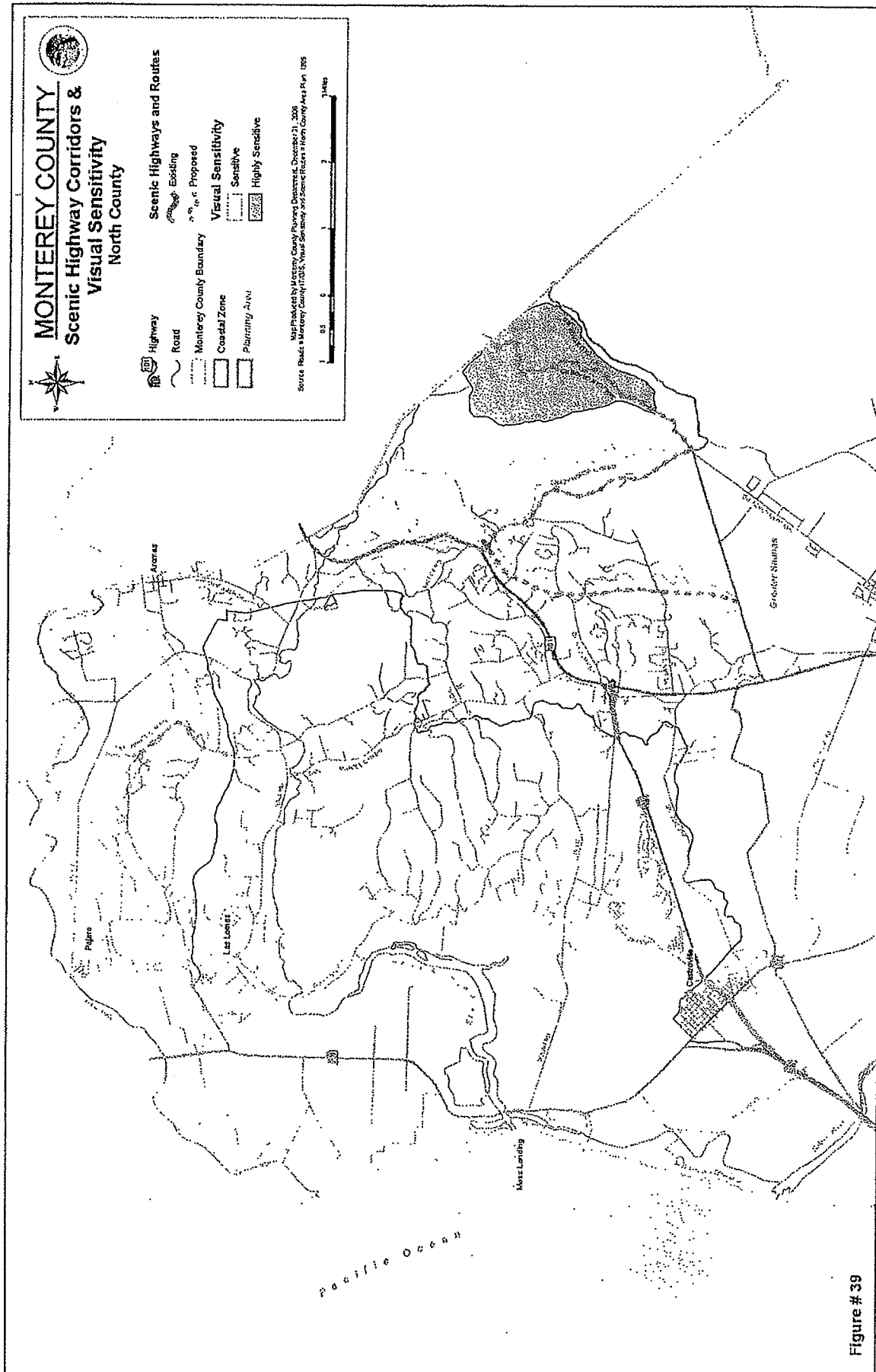
-  SPECIAL DISTRICT BOUNDARY
-  STATUS QUO SPHERE OF INFLUENCE - ADOPTED NOV. 27, 1984

SPECIAL DISTRICTS

**AROMAS COUNTY
WATER DISTRICT**







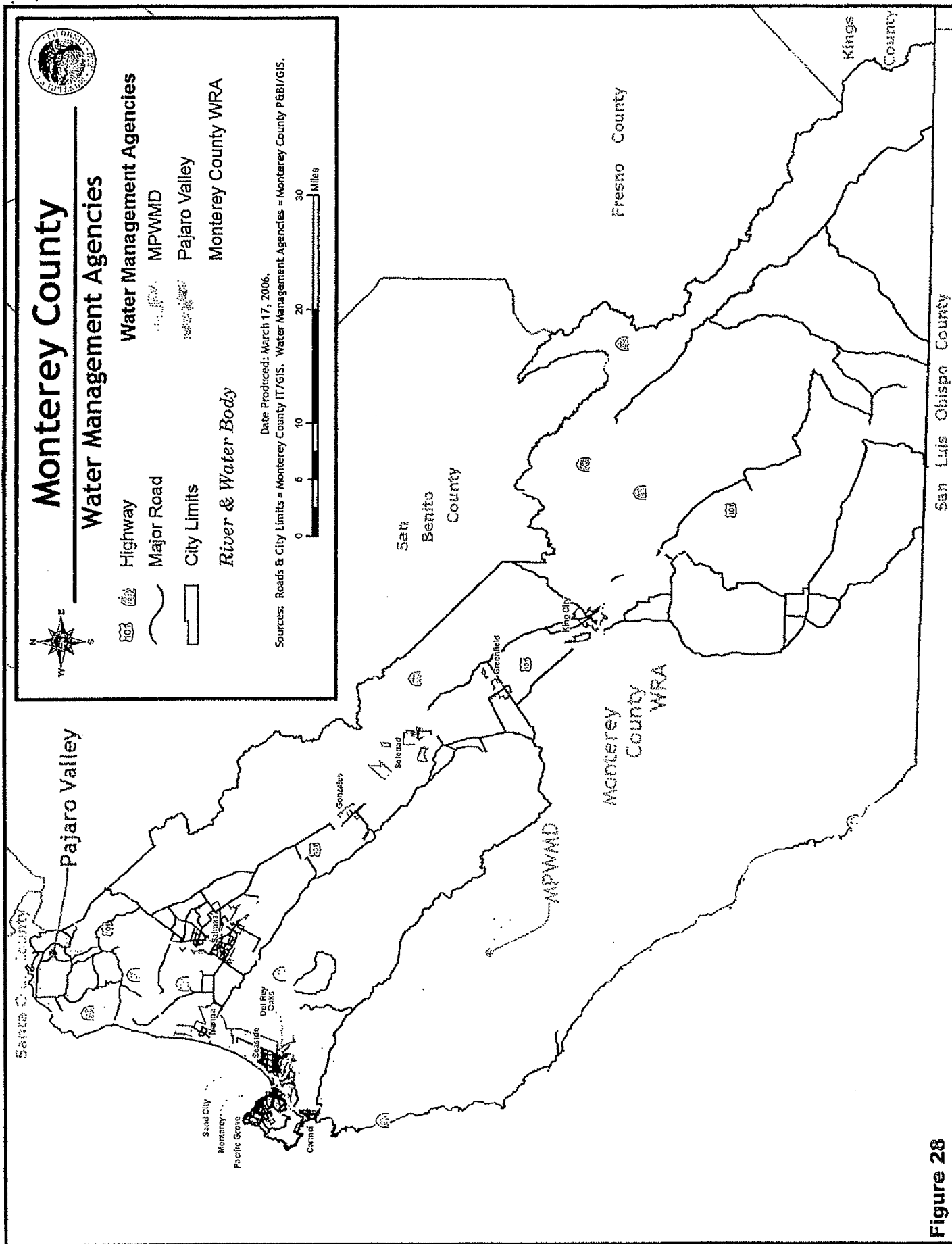


Figure 28

FILED

OCT 29 2007

STEPHEN L. VAGNINI
MONTEREY COUNTY CLERK

2007-0128

Notice of Determination

To: Office of Planning and Research
PO Box 3044
Sacramento, CA 95812-3044

From: Aromas Water District
PO Box 388
Aromas, CA 95004

Subject: *Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code.*

State Clearing House Number: 2007 091060

Project Title: Aromas Water District Monterey County Annexation Project

Location: San Juan Road, Carpinteria Road, Aromas Road in the County of Monterey

Description: The project proposes to annex the remainder of the Aromas Water District Sphere of Influence not previously annexed, in Monterey County, as established in 1984. Annexation will allow the availability of water and fire protection to those areas.

This is to advise that the Aromas Water District (Lead Agency) has approved the above described project on October 23, 2007, and has made the following determinations regarding that project:

1. The Project ☐ will have a significant effect on the environment.
☒ will not have a significant effect on the environment.
2. ☐ An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
☒ A Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
3. Mitigation measures [☐were ☒were not] made a condition of the approval of the project.
4. A statement of Overriding Considerations [☐was ☒was not] adopted for this project.

This is to certify that the final Negative Declaration, with comments and responses and record of project approval is available to the General Public at the

Aromas Water District Office, 387 Blohm Ave., Aromas CA 95004

(650) 776-3453

Signature (Public Agency)

10/24/07
Date

Charles M. ...
Title

rec 33573



STATE OF CALIFORNIA - THE RESOURCES AGENCY
DEPARTMENT OF FISH AND GAME
ENVIRONMENTAL FILING FEE CASH RECEIPT

324252

Lead Agency: Aromas Water District Date: 10-29-07
County/State Agency of Filing: Monterey County Clerk Document No: 2007-0128
Project Title: Aromas Water District Monterey County Annex Proj.
Project Applicant Name: Contact: Larry Cain
Project Applicant Address: PO Box 388
City: Aromas State: CA Zip Code: 95004 Phone Number: (831) 766-3444

Project Applicant (check appropriate box):

☐ Local Public Agency ☐ School District ☐ Other Special District ☐ State Agency ☐ Private Entity

Check Applicable Fees:

<input type="checkbox"/> Environmental Impact Report	\$2500.00	\$	
<input checked="" type="checkbox"/> Negative Declaration	\$1800.00	\$	<u>1800.00</u>
<input type="checkbox"/> Application Fee Water Diversion (State Water Resources Control Board Only)	\$850.00	\$	
<input type="checkbox"/> Projects Subject to Certified Regulatory Programs	\$850.00	\$	
<input checked="" type="checkbox"/> County Administrative Fee	\$50.00	\$	<u>50.00</u>
<input type="checkbox"/> Project that is exempt from fees			
<input type="checkbox"/> Notice of Exemption			
<input type="checkbox"/> DFG No Effect Determination (Form Attached)			

TOTAL RECEIVED \$ 1850.00

Signature and title of person receiving payment:

WHITE-PROJECT APPLICANT

YELLOW-DFG/ASB

PINK-LEAD AGENCY

GOLDENROD-COUNTY CLERK

DFG 753 5a (Rev. 1/07)

ATTACHMENT 3

REPORT



AROMAS AREA
SAFE YIELD ANALYSIS

Prepared for

Lombardo and Associates
P. O. Box 2119
Sallina, CA 93302

December 18, 1995
Reference No. 95A161



410 N. 44th St., Suite 350
Phoenix, AZ 85008

EXECUTIVE SUMMARY

Woodward-Clyde Consultants has completed an analysis of the safe yield of the Aromas Water District area. This report was written as an informational document that can be used by the Aromas Water District Board of Directors in evaluating Rancho Larios' request to supply water to the development. The Aromas Water District currently pumps about 250 acre-feet per year, and the proposed a contract sale to Rancho Larios is about 603 acre-feet per year of water.

As part of this work, data supplied by AWD were analyzed, and previous investigations of the hydrology of the area were reviewed. This evaluation has updated and extended previous investigations related to the groundwater resources of the Aromas Water District area. One of the notable previous investigation was the 1992 Luhdorff and Scalmanini letter report to the County of San Benito related to the safe yield of the Aromas area. The Luhdorff and Scalmanini report was written by William R. Hutchison, the author of this report. The LS report included recommendations related to the update and enhancement of the safe-yield analysis prior to increased pumping in the Aromas area. This report describes analyses that were contemplated in the LS recommendations.

Previous investigations that described, estimated, and analyzed recharge rates and safe yield included the following information that was significant to this investigation:

- Groundwater levels in the area exhibit no long-term trend, either up or down, which suggests that groundwater recharge and discharge are approximately equal.
- Groundwater recharge is primarily from deep infiltration of rainfall.
- Rainfall in the area of the Aromas Water District is about 24 inches per year.
- Recharge rates are between 3.6 and 8 inches per year.

Review of previous recharge rate estimates yielded the conclusion that the Graniterock estimates were understated, and that the Walters Engineering estimate was based on a rainfall average that was too low for the area.

Based on an integrated approach that considered both recharge and discharge to and from the aquifer system, a groundwater budget for the "Aromas" watershed was developed for

this investigation. The recharge rate for the area is estimated to be 8.8 inches per year, and the total recharge is estimated to be 9,668 acre-feet per year.

The groundwater discharge from the watershed includes pumping from AWD wells, private domestic and industrial wells, agricultural wells, and underflow to the east. Total discharge is estimated to be 9,734 acre-feet per year. Of this amount, it is estimated that 8,868 acre-feet per year of water is exiting the area as subsurface underflow. Much, if not most of this water is developable.

The safe yield of the area is conservatively estimated to be 1,833 acre-feet per year. Based on a comparison of this safe yield estimate to the projected ultimate demand of the area (1,652 acre-feet per year), it can be concluded that increased pumping to meet the ultimate demand, including Rancho Larios, would not result in an overdraft. Limiting total pumping to a safe yield level of 1,833 acre-feet per year leaves up to 7,835 acre-feet per year available for potential future use.

Recharge to the Rancho Larios property is estimated to be 609 acre-feet per year based on a recharge rate of 8.8 inches per year. Applying the 8.8 inches per year recharge rate to the Aromas portion of Rancho Larios plus the 568 acres of hill area southwest of the property yields a recharge estimate of 753 acre-feet per year. Furthermore, if the Rancho Larios project were to be developed, approximately 262 acre-feet per year of the gross usage of 603 acre-feet per year would return to the aquifer system as recharge.

Overall, it can be concluded that the Aromas Water District has the ability to safely supply its expected ultimate demands as well as the additional demands associated with the Rancho Larios project. The increased pumping will not cause overdraft to a basin that is currently balanced. This conclusion is based on analyses that used conservative assumptions.

1.0 INTRODUCTION

Pursuant to a request by Mr. Tony Lombardo, attorney for the Rancho Larios project, Woodward-Clyde Consultants has completed an analysis of the safe yield of the Aromas Water District area. This report presents our findings and conclusions and summarizes the relevant information and data that were reviewed as part of this analysis. This report was written as an informational document that can be used by the Aromas Water District Board of Directors in evaluating Rancho Larios' request to supply water to the development.

1.1 Discussion of Safe Yield Concepts

The objective of many ground-water management investigations is focused on addressing the amount of water that can be "safely" pumped. A review of the evolution of the term "safe yield" was presented by Domenico (1972), and is summarized below.

Lee (1915) first defined safe yield as "the limit to the quantity of water which can be withdrawn regularly and permanently without dangerous depletion of the storage reserve". Meinzer (1923) defined safe yield as "the rate at which water can be withdrawn from an aquifer for human use without depleting the supply to the extent that withdrawal at these rate is no longer economically feasible". Meinzer's definition was expanded by Conkling (1946), who described safe yield as an annual extraction of water which does not: 1) exceed average annual recharge, 2) lower the water table so that the permissible cost of pumping is exceeded, and 3) lower the water table so as to permit intrusion of water of undesirable quality. Banks (1953) added a fourth condition, protection of existing rights. It is clear that the term "safe yield" in these alternative forms includes hydrologic, economic, legal, and water quality components, and as such requires the evaluation of those issues in conjunction with each other.

The concept of safe yield has been applied by the Aromas Water District in terms of its facilities. George West, the manager of the Aromas Water District, provided us with a short memorandum dated October 1995 that described safe yield in terms of the District's well capacity and pumping capacity. In summary, the memorandum states that the maximum well capacity is 3,936 acre-feet per year, and the well pump capacity is 806

acre-feet per year. For each of these, a 50% "safe yield factor" was applied, which connotes that the wells and/or pumps could be "safely" operated half of the time. This resulted in a safe yield estimate of 1,968 acre-feet per year based on well capacity and a safe yield estimate of 403 acre-feet per year based on pump capacity. When compared to the current demand of the Aromas Water District of 228 acre-feet per year, it is clear that the current demand is within "safe" limits as defined by the capacity of the installed facilities. However, the hydrology of the area is not addressed in these estimates (i.e. the estimates implicitly assume that the recharge to the area is sufficient to supply these facilities at these rates over the long term).

Given the questions related to AWD supplying Rancho Larios water needs through a contract sale, the issue of safe yield in a hydrologic context needs to be addressed. This report covers the hydrologic aspects of safe yield, and does not deal with the constraints and issues related to economics or water rights.

Safe yield is defined for the purposes of this investigation as the amount of water that can be pumped from the Aromas area without causing an overdraft. Under this definition, safe yield is theoretically equal to the total recharge of the area. Realistically, however, the true safe yield is less than total recharge because of the practical difficulties of capturing all of the recharge.

The best method to estimate safe yield is the development and application of a groundwater model. A model of the Pajaro Valley Water Management Agency area, including the Aromas area, was developed by James M. Montgomery Engineers (JMM). However, as is discussed further in this report, that model does not work well in the Aromas area. In lieu of a model, an analysis of recharge and discharge from the area, along with an analysis of groundwater level trends can be used to develop safe yield estimates when the objective is relatively simple (e.g. prevention of overdraft).

When detailed simulations with a groundwater model are not possible, it is considered good management to proceed in relatively small steps toward the ultimate safe yield. For areas that are in balance (total recharge equals total discharge and groundwater levels are stable over the long term) and where pumping is a small percentage of the total outflow, pumping increases of less than 10 percent of total recharge are considered conservative and will not cause problems with the groundwater resource.

1.2 Review of Other Investigations

Given the nature of this analysis, previous reports were used extensively. Notable among these were the following:

- The Rancho Larios EIR approved by the San Benito County Board of Supervisors (Duffy and Associates, 1985). This report provided information on the location and size of the property, and information related to the geologic setting, and groundwater occurrence and quality.
- A 1983 report by Walters Engineering and Collins & Ryder completed for the Aromas Water District regarding groundwater quality, emergency storage and distribution improvements. This report provided background on the groundwater resource within the AWD service area, particularly the Marshall well.
- Two EIRs completed for Graniterock Company (a 1989 report for Use Permit Application 460-88 by Creggan and D'Angelo, and a 1992 report for the Brigantino Overburden Project by Thomas Reid Associates). Both reports provided useful information and data regarding the hydrology of the area.
- The North Monterey County Hydrogeologic Study (Volume I) dated October 1995 completed by Fugro West, Inc. for the Monterey County Water Resources Agency. This report contained updated records related to well locations and completion, and provided regional background on the hydrology of the area.
- A 1974 EIR for the Minor Subdivision completed by Darling, Nielsen and Ingram. Appendix A of this report contains a report of a geophysical survey of the subject property by Jeremy Wire. The property described in this report is located near the Rancho Larios property, and the Wire's findings were pertinent to understanding the geologic setting of the area.

- A 1977 USGS report that covers the groundwater resources of the Monterey Bay region. This report provided general background information on regional hydrology.
- A 1992 letter report by Luhdorff and Scalmanini Consulting Engineers that provides an estimate of safe yield of the Aromas area. This report was completed as part of a larger investigation of the groundwater resources of San Benito County. It should be noted that Woodward-Clyde's project manager for this investigation, William R. Hutchison, wrote the Luhdorff and Scalmanini (LS) report in 1992 while a partner with that firm.

1.3 Summary of Data Used

The previous investigations listed above were useful as background information and to provide a foundation for the analyses completed. Data used in these analyses were provided by AWD staff and included:

- Maps of AWD boundaries and facility locations
- Precipitation data from Aromas, Salinas, Hollister, Gilroy, and Watsonville
- Well logs of the AWD wells and one non-AWD well
- Groundwater levels of AWD wells
- Pumping records from AWD wells
- Estimates of ultimate demand in the AWD service area

These data are discussed in detail below as part of the presentation of the analyses.

2.0 HYDROLOGIC SETTING

2.1 Aromas Water District and Rancho Larios

AWD's service area is located in the hill area between the San Juan Valley and the Pajaro Valley. The Aromas Water District (AWD) boundaries and its wells, and the Rancho Larios boundaries are presented in Figure 1. Other features on Figure 1 include the location of two wells on the Rancho Larios property, certain cultural features (e.g. town of Aromas, roads and county lines), and the boundary of the watershed that supplies water to the AWD wells. The analysis presented in this report focuses on the watershed defined in Figure 1 since the four of the AWD wells and the majority of the Rancho Larios development lies within this watershed. This watershed is tributary to the Elkhorn Slough, south of Watsonville. For purposes of this report, this watershed is termed the Aromas watershed.

Based on the delineation of watershed boundaries shown in Figure 1, approximately 459 acres of the Rancho Larios property lies within the Aromas watershed. The remaining 371 acres of Rancho Larios are tributary to the San Juan Basin to the east, which is tributary to the Pajaro River watershed. The northern portion of the AWD area (including the area of the Marshall Well) is within the Pajaro River watershed. Therefore, it can be concluded that the entire Rancho Larios property is within the surface drainage area of the AWD.

Groundwater flow patterns are generally the same as surface water flow patterns, and chemical analysis of groundwater is useful evidence to further evaluate surface and subsurface flow patterns. Table 1 presents water quality analyses completed on AWD wells and two wells on the Rancho Larios property. Data for the AWD wells was obtained from AWD, and the data for the Rancho Larios wells was presented in the project's EIR. Note that the analysis for the Marshall Well is similar to Rancho Larios Well No. 1 in terms of total dissolved solids (TDS) and sulfate. In contrast, the other AWD wells and Rancho Larios No. 2 have substantially lower sulfate and lower TDS. This "chemical fingerprinting" is strong evidence that the groundwater on the Aromas side of Rancho Larios recharges the AWD wells, and that groundwater on the San Juan side of Rancho Larios eventually recharges the Pajaro portion of AWD. Thus, it can be concluded that the groundwater flow patterns are consistent with the surface drainage

pattern, and that the analysis of safe yield can be completed using the watershed boundaries as the boundaries of the groundwater flow system.

2.2 Aquifer Description

The alluvium associated with drainages in the area and the Pleistocene Aromas Red Sands are considered to be the major aquifers in the area. Due to the limited extent of the alluvium, and the extensive nature of the Aromas Red Sands, the latter is considered the most important aquifer in the area. The Aromas Red Sands is an unconsolidated, quartzose, brown to red sand with some clay interbeds. Well logs of AWD wells show that groundwater in the area is produced from this aquifer system. Thickness of the Aromas Red Sands in the area of AWD wells is approximately 250 feet.

The aquifer system is recharged almost exclusively from deep infiltration of rainfall. Discharge from the aquifer includes pumping and underflow to the area downhill from the "Aromas" watershed.

2.3 Previous Estimates of Aquifer Recharge

The groundwater system is recharged from deep infiltration of rainfall. Previous investigations presented varying estimates of recharge rate.

- The Walters report completed for AWD reported recharge rates between 6 and 8 inches per year. The estimated range is presented without any supporting documentation except for the assumption that average rainfall in the area is 20 inches per year. As is developed further later, the assumed rainfall used is lower than the actual rainfall, and therefore, the stated range is underestimated.
- Graniterock investigations reported a recharge rate ranges between 0.6 and 6.6 inches per year. The Thomas Reid Associates report states that the "most probable value" is 3.6 inches per year, and was based on an average annual rainfall of 24.6 inches per year. A review of the method used to arrive at the 3.6 inch value, however, revealed a flaw that results in an estimate that is too

low. Details of this are discussed in Section 3.2 of this report (Recharge Rate Analysis).

- Fugro catalogued recharge rates from other sources that ranged from 1.3 to 4.15 inches per year for the entire north County area. Because of the lower rainfall in the majority of the Fugro study area as compared to the Aromas and Rancho Larios area, these estimates were considered not directly applicable.

2.4 Groundwater Pumping

Discharge from the AWD service area is primarily groundwater pumping and underflow to the Pajaro Valley. Pumping in the AWD wells is summarized in Figures 2 and 3.

Figure 2
Aromas Water District Monthly Pumping

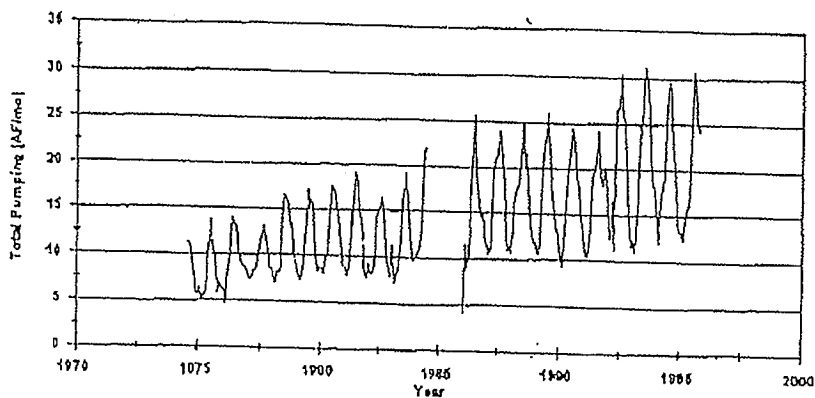
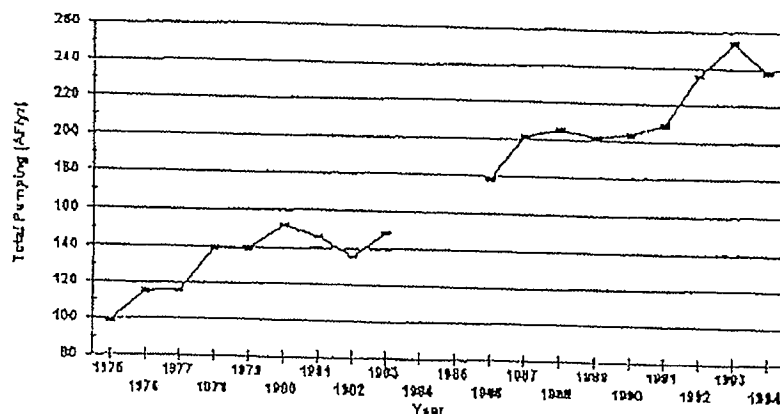


Figure 3
Aromas Water District Annual Pumping



Based on these data, it is evident that pumping has a strong seasonal component, and the annual pumping has consistently increased in the AWD service area since 1975. George West provided an estimate regarding the water demands under an "ultimate" buildout scenario. Based on the current demand pattern of 24,858 cubic feet per year per home (about 0.6 acre-feet per year per home), and the assumption that an additional 240 lots in the AWD service area could be developed, the ultimate demand was estimated to be 364 acre-feet per year. In addition to the proposed Rancho Larios sale (total of 603.8 acre-feet per year), homes along "Route A" could be supplied from the Rancho Larios pipeline. Currently, according to AWD estimates, there are 70 homes, and 36 buildable lots affected. If it assumed that the same 0.6 acre-feet per year per home factor can be applied to this area, the ultimate demand would increase by 64 acre-feet. The Monterey RV park may also receive 8.3 acre-feet of water per year from AWD. These ultimate demands on AWD are summarized in Table 2.

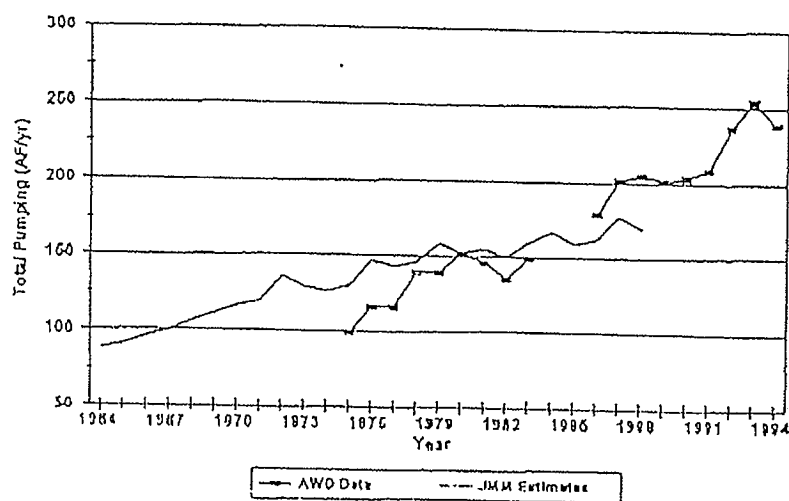
Table 2
Summary of Ultimate Demands on the Aromas Water District

Component	Acre-feet per year
Ultimate AWD Demand	364
Rancho Larios	603.8
Route A demands	64
Monterey RV Park	8.3
Total	1040.1

Pumping from private domestic wells is a small component of discharge. The Fugro report lists 74 private domestic and industrial wells in the Aromas area. We estimate that average pumping to be between 0.47 and 1.35 acre-feet per year per well, for a range of 35 to 100 acre-feet per year. The list of wells taken from the Fugro report are presented in the Appendix.

Pumping for agricultural use was estimated by JMM for their modeling effort completed for the Pajaro Valley Water Management Agency. The estimates for the Aromas area were summarized by Luhdorff and Scalmanini in their 1992 letter report. Average agricultural pumpage in the area of Aromas that corresponds reasonably well to the watershed delineation depicted in Figure 1 for the period 1964 to 1988 was 538 acre-feet per year. However, these estimates were viewed skeptically by Luhdorff and Scalmanini for a variety of reasons related to the accuracy of the JMM model in the Aromas area. In addition, JMM estimates of "Urban Pumping" (presumably AWD pumping), do not agree closely with the AWD data presented in Figure 3. Figure 4 presents a comparison.

Figure 4
Comparison of AWD Pumping Data with JMM "Urban" Pumping Estimates



Based on the questionable results of the JMM model, and the poor match between the urban pumping estimates in the model with AWD data, the JMM agricultural pumping estimates are not viewed as solid data. For purposes of this analysis, it was assumed that

the possible range of values for agricultural pumpage is between 269 and 1076 acre-feet per year (half to double the JMM estimate).

2.5 Groundwater Underflow

The natural discharge of the aquifer system in the Aromas watershed is underflow to the lower reaches of the watershed. Note that Figure 1 presents an open boundary east of San Juan Road. This area represents the area where groundwater flows out of the "Aromas" watershed. This water represents a resource that is developable, but leaves the area.

The underflow was estimated using Darcy's Law, the basic flow equation of groundwater hydrology:

$$Q = KiA$$

where:

$$\begin{aligned} Q &= \text{Groundwater Flow (ft}^3/\text{day)} \\ K &= \text{Hydraulic Conductivity of Aquifer (ft/day)} \\ i &= \text{Hydraulic Gradient (ft/ft)} \\ A &= \text{Area of Flow (ft}^2\text{)} \end{aligned}$$

The hydraulic conductivity of the aquifer is analogous to its permeability, the hydraulic gradient can be estimated from groundwater levels in wells, and the area of flow is calculated from estimates of aquifer thickness (estimated from well logs) and the width of the flow area (estimated from maps).

A summary of the flow calculations is presented in Table 3. The four boxes of columns on Table 3 represent the calculations for hydraulic conductivity, hydraulic gradient, flow area, and finally, flow. The details of the calculations in each group of columns is presented below.

The hydraulic conductivity of the aquifer was estimated using specific capacity tests of AWD wells. In summary, when a well is pumped, the water level drops in response to pumping. The difference between the water level in the well before pumping and the water level in the well during pumping is called drawdown. Dividing the pumping rate by

the drawdown results in an estimate of the specific yield of the well. Transmissivity of the aquifer (hydraulic conductivity times thickness) can be estimated by multiplying the specific yield by 2000. This approach assumes a 100% efficient well, thus the result is divided by the assumed efficiency of the well. PG&E tests on Wells 1 and 2 show overall well and pump efficiencies of 43% and 60%, respectively. Because pump inefficiencies are a component of the PG&E calculation, and due to the fact that the newer wells are likely more efficient due to improved construction techniques, the use of 70% efficiency was conservatively assumed. The hydraulic conductivity can then be estimated by dividing the transmissivity estimate by the aquifer thickness. Thickness at Well 2 was estimated to be 50 feet based on an electric log (no driller's log was available). Thickness at Wells 3 and 5 was estimated to be 200 feet.

The hydraulic gradient was estimated by subtracting the groundwater elevations in Wells 2 and 5 observed in January 1995 and August 1995 and dividing the result by the flow length. The choice of groundwater elevations was made based on the fact that the record for Well 5 is limited (it was constructed in 1994), and the fact that these two sets of readings represented the extremes in terms of the differences. Hydrographs of all AWD wells are presented in the Appendix.

The distance between Wells 2 and 5 is approximately 10,000 feet. However, a flow length of 7,200 feet is used as an estimate due to the orientation of these wells with the expected flow groundwater flow pattern. Because of the orientation of the watershed, a line that connects Wells 2 and 5 does not accurately reflect groundwater flow direction. Assuming that the flow direction is parallel to the main axis of the watershed, the elevations in Wells 2 and 5 must be projected across the flow system, and a new value of flow length estimated.

Figure 5 depicts an illustration of this projection. The horizontal lines in Figure 5 represent idealized contours of groundwater elevations along the main axis of the watershed. Flow direction is perpendicular to these contours. A line connecting Wells 2 and 5 is not perpendicular to the contours, and therefore does not represent a flow line. The well locations are projected along the appropriate contour until a line between the projected points are perpendicular to the contours. The distance between the projected points is then estimated, and represents the flow length for gradient calculations.

Flow area is calculated by multiplying the aquifer thickness by the flow width. Aquifer thickness was estimated to be 250 feet on the basis of logs of AWD wells. Aquifer width was alternatively estimated to be between 14,000 feet and 16,000 feet based on review of maps. Due to the uncertainty associated with the aquifer width outside of areas with well logs, the four estimates of flow were developed using different width estimates.

The flow estimates were calculated by applying Darcy's Law, obtaining a result in ft^3/day , and converting this result to acre-feet per year. The estimates range from 4,907 to 19,184 acre-feet per year, with an average of 8,868 acre-feet per year.

Based on these estimates, almost 9,000 acre-feet of groundwater is leaving the Aromas area. Much, if not most of this water could be developed without causing an overdraft.

2.6 Luhdorff and Scalmanini Safe Yield Estimate

As noted previously, the Luhdorff and Scalmanini (LS) letter report to the County of San Benito represents the only estimate of safe yield for the area, a brief discussion of that estimate and its context to this investigation is presented.

As stated in the LS report, the James M. Montgomery (JMM) model completed for the Pajaro Valley Water Management Agency (PVWMA) covered the Aromas area, and the original intent of LS was to use the model to develop estimates and conclusions regarding the safe yield of the Aromas area. However, model deficiencies prevented its use, and the LS estimate was based on a comparison of the groundwater levels available to them and the pumping estimates reported by JMM. LS's basic conclusion was that groundwater levels showed no "long term trend" and that "recharge and discharge have been approximately equal" over the period analyzed. No specific estimate of recharge to the area was provided.

A quantitative estimate of safe-yield presented by LS was limited to the JMM estimates of pumping in the area. However, because of the poor development of the model in the Aromas area, the pumping estimates were viewed skeptically. Indeed, LS stated "(i)f the agricultural and urban pumpage values in the JMM model are correct, 'safe-yield' pumping would then be approximately 675 acre-feet per year." In order to provide a level of conservatism due to the tentative nature of the safe-yield estimate, LS recommended:

"Large increases...in pumping in the Aromas area should be avoided until or unless detailed water level can be adequately evaluated and a more accurate basis can be developed to evaluate groundwater conditions and safe-yield in the area."

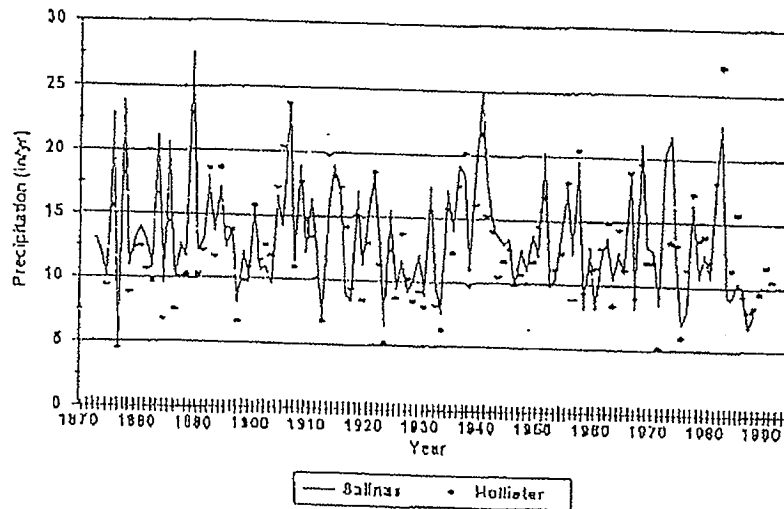
It should be emphasized that the major conclusion of LS was that recharge and discharge were approximately equal based on no observable long-term trend in groundwater levels.

The LS estimate of safe-yield was conservative in that it did not include an estimate of recharge to the system that was independent of the JMM model. Due to the inadequacies of the model, the estimate of safe yield was presented with recommendations that large increases in pumping be deferred until additional evaluations of the area's hydrology could be completed. This report presents the additional investigations contemplated in the LS recommendation to update and improve the safe-yield estimate, primarily by evaluating the recharge in more detail.

3.1 Analysis of Rainfall

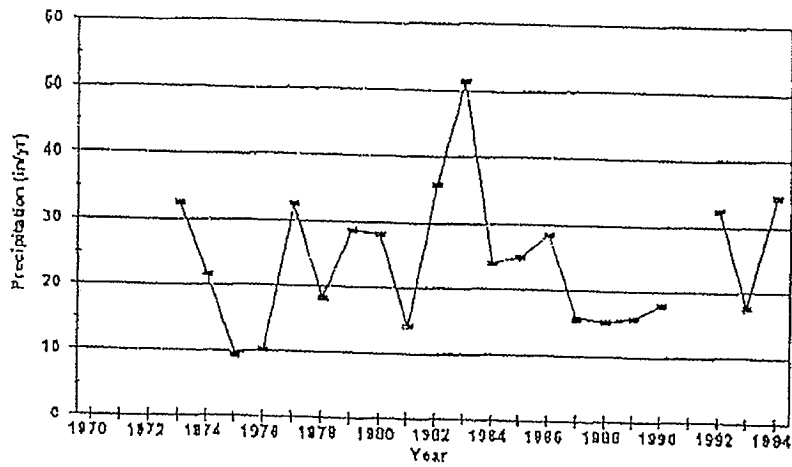
Since the primary source of recharge to the groundwater system is deep infiltration of rainfall, data from several weather stations was analyzed. The longest records in the area are in Hollister (since 1874) and Salinas (since 1872). Given the length of these records, the average annual rainfall at stations with shorter records (e.g. the Aromas Fire station and the gage on Forest Road described in the Graniterock study by Thomas Reid Associates) can be compared to establish if the shorter records are generally wetter or drier than the long term records. Figure 6 presents the annual rainfall at Salinas and Hollister.

Figure 6
Annual Precipitation at Salinas and Hollister



Precipitation data at the Aromas Fire Station for the period 1973 to 1984 (with a gap in 1991) was supplied by AWD. These data are summarized in Figure 7.

Figure 7
Aromas Fire Station Precipitation



The gage on Forest road was described in the Graniterock evaluation by Thomas Reid Associates as a rain gage on the property of Mr. and Mrs. Joseph Millwood. According to the report, data have been collected since 1976. Since the report was prepared in March 1992, it is assumed that the period of record that was used for averaging purposes was 1976 to 1991.

The Forest Road gage is significant to this investigation due to its proximity and similarity in elevation to the Rancho Larios property. The Aromas gage is at an elevation of about 100 feet. Forest Road and Rancho Larios lie between 400 and 500 feet above sea level. The rainfall in the area is dependent upon the elevation of the station. Therefore, the Forest Road gage is the most appropriate to estimate rainfall for Rancho Larios. The period of record, however, 1976 to 1991, was checked against the longer records in the area to establish if the period was wetter or drier than the long term average. Table 4 presents summaries of rainfall averages for the four gages and the time periods of interest.

Table 4
Summary of Precipitation Averages
(all values in inches/year)

Station	Period of Record	Average for Period of Record	1976 to 1991 Average
Salinas	1872 to present	13.5	11.7
Hollister	1874 to present	12.8	12.8
Aromas	1973 to present	24.3	24.1
Forest Road	1976 to 1991	24.6	24.6

Based on these averages, it can be concluded that the 1976 to 1991 period was slightly drier than the long term average. An estimate of 24.3 inches per year is reasonable and conservative for the watershed as a whole based on the Aromas gage, and an estimate of 24.6 inches per year would be reasonable and conservative for an average annual value of precipitation at Rancho Larios. These conclusions are based on elevation considerations of the entire watershed in general and Rancho Larios in particular, and the comparison of the period of record of the Forest Road gage with longer term records in the area.

3.2 Recharge Rate Analysis

Recharge is estimated by multiplying recharge rate (expressed in feet per year) by an area (expressed in acres) to obtain a recharge volume expressed in acre-feet per year. In this case, the area of interest is the "Aromas" watershed. The recharge rate is estimated by analyzing the fate of rainfall on an average annual basis. Rainfall either evaporates, runs off, or infiltrates into the ground. The infiltration component can either continue moving downward to recharge aquifers or be held as soil moisture until plants begin to transpire. The combination of evaporation and plant transpiration is termed evapotranspiration (ET).

Recharge rates from previous studies was briefly reviewed in Section 2.3, and ranged from 3.6 to 3 inches per year. The upper end of this range was based on an assumed rainfall average of 20 inches per year, and the lower end of this range was from the Graniterock evaluations which contained a flaw that resulted in an underestimation of the recharge rate. The Thomas Reid Associates (TRA) evaluation described a rainfall rate analysis that was based on discussions with the Soil Conservation Service and Woodward-Clyde. (Woodward-Clyde was acting as a geotechnical consultant to Graniterock).

TRA assumed average precipitation for the "area" (presumably the entire region) was 16.6 inches per year. Evapotranspiration (ET) losses were estimated to be between 12 and 15 inches, and runoff was estimated to be 1 inch. This resulted in a recharge rate of 0.6 to 3.6 inches per year. TRA noted, however, that the average annual rainfall for the Graniterock site was 24.6 inches per year (based on the Forest Road gage). TRA then applied a 70 to 90 percent ET loss factor for the higher rainfall that resulted in an estimated ET rate of between 17 and 22 inches. TRA further assumed that 1 to 2 inches was lost to runoff, leaving a recharge rate of between 0.6 and 6.6 inches per year. TRA stated the "probable water available for percolation is 3.6 inches."

It is important to note that the estimated ET losses associated with the assumed regional rainfall average of 16.6 inches are between 12 and 15 inches, which are 70 to 90 percent of the rainfall. However, an increase in rainfall due to elevation differences does not necessarily mean that ET losses are proportional. ET losses are largely a function of temperature, wind, relative humidity, and vegetation cover. Vegetation cover (total vegetated area) does not vary much through the region. Temperature, wind, and relative humidity do not vary across the region much either. It is not reasonable to linearly extrapolate the ET loss in an area with higher precipitation.

Given the average annual rainfall on the watershed (estimated to be 24.3 inches per year), and on Rancho Larios (estimated to be 24.6 inches), Table 5 presents estimates of recharge rates. The original estimate of 12 to 15 inches for ET loss are used in this analysis and the conservative figure of 2 inches of runoff is used.

Table 5
Rainfall Fate Analysis
(all values in inches per year)

	Aromas Watershed	Rancho Larios
Precipitation	24.3	24.6
Evapotranspiration	12 to 15	12 to 15
Runoff	2	2
Recharge	7.3 to 10.3	7.6 to 10.6

Note that these recharge rates are consistent with the estimates provided in the 1983 report prepared for AWD by Walters Engineering and Collins & Ryder (6 to 8 inches) that were based on an assumed rainfall average of 20 inches, rather than 24 inches.

3.3 Recharge Volume Estimates

Estimates of recharge volume for the area were developed by multiplying the recharge rate estimates presented in Table 5 by the watershed areas shown on Figure 1. Results from selected values in the range are presented in Table 6.

Table 6
Summary of Recharge Estimates
(all values in acre-feet per year except where noted)

Recharge Rate (in/yr)	Recharge Rate (ft/yr)	Total Aromas Watershed (13,184 acres)	Total Rancho Larios Area (830 acres)	Aromas Portion of Rancho Larios plus 568 acres of uphill area (1,027 acres)
7.3	0.61	8,020	505	625
7.6	0.63	8,350	526	650
7.9	0.66	8,679	547	676
8.2	0.68	9,009	567	702
8.5	0.71	9,338	588	728
8.8	0.73	9,668	609	753
9.1	0.76	9,998	630	779
9.4	0.78	10,327	650	805
9.7	0.81	10,657	671	830
10.0	0.83	10,986	692	856
10.3	0.86	11,316	713	882
10.6	0.88	11,646	733	907

3.4 Groundwater Budget Estimates

A groundwater budget of an area is an accounting of all inflows and all outflows, and is based on the principle of mass conservation: inflow must equal outflow plus or minus change in storage. Groundwater level data in the Aromas area demonstrate that the groundwater flow system is in balance: total recharge equals total discharge, and no long-term storage change is taking place. This is contrast to a basin which is in overdraft: total

discharge is greater than total recharge and storage is declining as evidenced by declining groundwater levels. The opposite of a basin in overdraft is a basin in surplus: total recharge is greater than total discharge and storage is increasing as evidenced by rising groundwater levels. In reality, a surplus condition is temporary because natural discharge will increase as a result of rising groundwater levels intersecting streams and the land surface.

Any increase in pumping to a basin that is in balance will result in a combination of the following effects:

- an increase in recharge
- a decrease in other discharge
- a change in storage

Typically, the initial response to any increase in pumping is a temporary decrease in storage that will cease when recharge is increased or other discharges decrease, and the system returns to a new balance. The long term effects of increasing pumping are largely dependent upon the amount of the increase in relation to the total flow in a system. If the increased pumping is small in relation to the total recharge, the "impacts" to the groundwater budget are small and the system adjusts to a new equilibrium quickly and without any noticeable effects. Pumping increases of 10 percent or less of total recharge are generally considered small enough that no impacts would occur, especially when current pumping is small in relation to the total recharge.

In contrast to the LS report, development of a groundwater budget can be accomplished in this investigation due to the availability of data. The groundwater budget becomes the basis for analysis of safe yield.

Table 7 presents estimates of each component of inflow and outflow. Tables 3 and 6 provide ranges of estimates for underflow and recharge. Because it is known through groundwater level analysis that the total recharge approximately equals the total discharge, the groundwater budget can be used to develop a "best" estimate for the various components in an integrated approach.

The "low estimates" of the groundwater budget presented in Table 7 were developed as follows:

- Deep infiltration of precipitation was taken from Table 6 assuming a 7.3 in/yr recharge rate (the lowest rate from Table 5) over the entire watershed area.
- AWD pumping was taken from the reported usage in AWD's October 1995 memorandum.
- Private domestic well pumping was assumed to be 0.47 acre-feet per year per well (74 wells).
- Agricultural pumping was assumed to be half of the JMM estimate.
- Underflow was assumed to be the lowest value calculated in Table 3.

The "high" estimates of the groundwater budget presented in Table 7 were developed as follows:

- Deep infiltration of precipitation was taken from Table 6 assuming a 10.3 in/yr recharge rate (the highest rate from Table 5) over the entire watershed area.
- AWD pumping was taken from the highest single year from the AWD pumping records (1993).
- Private domestic well pumping was assumed to be 1.35 acre-feet per year per well (74 wells).
- Agricultural pumping was assumed to be double of the JMM estimate.
- Underflow was assumed to be the highest value calculated in Table 3.

The "best" estimates of the groundwater budget presented in Table 7 were developed as follows:

- Deep infiltration of precipitation was taken from Table 6 assuming an 8.8 in/yr recharge rate over the entire watershed area (the mid-point of the range presented in Table 5, and consistent with the adjusted range presented by Walters Engineering for AWD in 1983).
- AWD pumping was taken from the highest single year from the AWD pumping records (1993).

- Private domestic well pumping was assumed to be 1.00 acre-feet per year per well (74 wells).
- Agricultural pumping was assumed to be equal to the JMM estimate.
- Underflow was assumed to be the average value calculated in Table 3.

The "best" estimate column can be considered the groundwater budget of the Aromas watershed because it meets the requirement that the recharge and the discharge are approximately equal (within 1 percent). The estimated underflow is equal to the average presented in Table 3, and the estimated recharge is the midpoint of the recharge rate range presented in Table 6. Based on this estimate, about 9,668 acre-feet of water recharges the aquifer system, and total pumping from all sources is about 866 acre-feet per year. On the average, therefore, about 8,868 acre-feet is flowing out of the area each year. Much, if not most of this 8,868 acre-feet per year is developable without causing an overdraft.

Based on the "best estimate" for the groundwater budget of the Aromas area presented in Table 7, the safe yield of the Aromas area is greater than current pumping (866 acre-feet per year) and less than the total subsurface outflow from the area (8,868 acre-feet per year). A groundwater model of the area could be used to develop a relatively precise estimate of safe yield which would likely be at the higher end of the range presented above. Without a model, and for a basin where current pumping is less than 10 percent of the current outflow, a small increase in current pumping rates (less than 10 percent of the total recharge) would be considered "safe" because the potential for overdraft is nil. Because the current pumping is so low in relation to the current outflow, setting the safe yield to current pumping plus 10 percent of the total recharge (1,833 acre-feet per year) represents a highly conservative management philosophy and would leave up to 7,835 acre-feet per year of water for future use. The water available for additional development in the future is water that would leave the area as subsurface outflow if total pumping in the area equaled 1,833 acre-feet per year.

Continued collection of groundwater level data, and developing a groundwater model of the area will be critical to the ability of AWD to update and improve this estimate in the future. Addition of dedicated monitoring wells, and increasing the frequency of readings are additional recommendations to improve the analysis in the future.

3.5 Comparison of Safe Yield to Ultimate Demand Scenario

The ultimate demand scenario presented in Table 2 can now be compared with the conservative safe yield estimate presented above. Total pumping under the ultimate demand scenario is 1,652 acre-feet per year (1,040 acre-feet per year for AWD, 74 acre-feet per year for private wells, and 538 acre-feet per year for agricultural pumping). This total pumping is 181 acre-feet per year less than the safe yield estimate. Therefore, it can be concluded that the increased pumping to meet the ultimate buildout of the AWD area plus the increased pumping to meet the demand of Rancho Larios and the additional demands contemplated by AWD is well within a conservative safe yield estimate from a hydrologic perspective. No overdraft will occur as a result of increasing the pumping to meet these demands.

AWD's estimate of safe yield in the context of their wells is 1,968 acre-feet per year. The total pumping demand on AWD facilities under the ultimate demand scenario is 1,040 acre-feet per year. Clearly, the additional pumping demand can be met with existing wells.

4.0

RANCHO LARIOS RECHARGE AND DEMAND

Based on an analysis of rainfall fate, Table 5 presents ranges of recharge rate estimates. Based on this analysis, it was concluded that recharge rates on the Rancho Larios property were slightly higher than the overall watershed. A water budget analysis was used to integrate all components of the groundwater budget to choose a "best estimate" of recharge. This analysis yielded a "best estimate" for the entire watershed of 8.8 inches per year. Applying the 8.8 inches to the Rancho Larios property is considered conservative based on the analysis of rainfall. Total recharge on the Rancho Larios property is therefore estimated to be 609 acre-feet per year. A recharge estimate for the Aromas portion of Rancho Larios plus 568 acres of undevelopable hill area southwest of the property is also provided in Table 6. Using a recharge rate of 8.8 inches per year for this area (1027 acres) results in a recharge estimate of 753 acre-feet per year.

As a result of developing the project, however, some of the water use will return as groundwater recharge. The preliminary annual water usage projections for the approved project prepared by Coastland Consultants (dated October 26, 1995) are summarized in Table 8 along with preliminary estimates of recharge potential based on use type.

Table 8
Summary of Recharge Estimates Associated with Rancho Larios Project

Type of Use	Demand (AF/yr)	Description of Recharge	Estimated Potential Recharge (AF/yr)
Residences (140)	137.24	Septic system return (assume 75% of use)	102.93
Tennis Center	4.03	Septic system return (assume 95% of use)	3.83
Swimming Pool	0.33	None	0
Equestrian Center	2.19	0.51 AF for restrooms	0.51
Park and Recreation Fields	80	Assume 50% infiltrates	40
Pasture	300	Assume 25% infiltrates	75
Common Space Irrigation	80	Assume 50% infiltrates	40
Totals	603.79		262.27

While the specific estimates of recharge assumptions could be refined, it is clear that the consumptive use of water is substantially less than the gross demand. Based on these estimates, the analyses of the ultimate demand scenario could be revised to account for approximately 260 acre-feet per year of additional recharge. However, due to the preliminary nature of the recharge estimates in Table 8, the conclusion that the current recharge on the Rancho Larios property matches the gross demand, the conclusion that the recharge from the Aromas portion of Rancho Larios property plus the undevelopable hill area southwest of the property exceeds the gross demand, and the ultimate demand is less than a conservative estimate of the safe yield of the area makes a reanalysis unnecessary.

5.0 CONCLUSIONS

The Aromas Water District currently pumps about 250 acre-feet per year, and is considering a contract sale to Rancho Larios of about 603 acre-feet per year of water. Potential ultimate demand on the AWD system, including Rancho Larios, is estimated to be 1,040 acre-feet per year. AWD has requested that an analysis of "safe yield" of the AWD area be completed to assist in making a decision regarding the sale of water to Rancho Larios. This report describes the analyses that were completed pursuant to that request. As part of this work, data supplied by AWD were analyzed, and previous investigations of the hydrology of the area were reviewed.

This evaluation has updated and extended previous investigations related to the groundwater resources of the Aromas Water District area. Previous investigations that described, estimated, and analyzed recharge rates and safe yield included the following information that was significant to this investigation:

- Groundwater levels in the area exhibit no long-term trend, either up or down, which suggests that groundwater recharge and discharge are approximately equal.
- Groundwater recharge is primarily from deep infiltration of rainfall.
- Rainfall in the area of the Aromas Water District is about 24 inches per year.
- Recharge rates are between 3.6 and 8 inches per year.

Important conclusions from this investigation are:

- Review of the recharge rate estimates yielded the conclusion that the Graniterock estimates were understated, and that the Walters Engineering estimate was based on a rainfall average that was too low for the area.
- Based on an integrated approach that resulted in the estimation of a groundwater budget for the "Aromas" watershed, the recharge rate for the area was estimated to be 8.8 inches per year, and the total recharge was estimated to be 9,668 acre-feet per year.

- Based on the groundwater budget, it is estimated that 8,868 acre-feet per year currently flows out of the Aromas area. Much, if not most of the outflow is developable water.
- Based on the estimated groundwater budget, safe yield is estimated to be 1,833 acre-feet per year. This estimate is considered to reflect a prudent and conservative management philosophy because it limits pumping increases to 10 percent of the total recharge when current pumping is less than 10 percent of the flow that leaves the basin as underflow.
- The total pumping from the area under the ultimate demand scenario (including Rancho Larios) is 181 acre-feet per year less than the safe yield. Increasing pumping to these ultimate demand levels will not cause an overdraft, and will leave up to 8,016 acre-feet per year available for potential future use.
- Based on a recharge rate of 8.8 inches per year recharge on the Rancho Larios property is estimated to be 609 acre-feet per year. Applying the 8.8 inches per year rate to the Aromas portion of Rancho Larios plus the 568 acres of hill area southwest of the property yields a recharge estimate of 753 acre-feet per year.
- If the Rancho Larios project were to be developed, approximately 262 acre-feet per year of the gross usage of 603 acre-feet per year would return to the aquifer system as recharge.

Overall, it can be concluded that the Aromas Water District has the ability to safely supply its expected ultimate demands as well as the additional demands associated with the Rancho Larios project. The increased pumping will not cause overdraft to a basin that is currently balanced. This conclusion is based on analyses that use conservative assumptions.

Table 7
Summary of Groundwater Budget Estimates
(all values in acre-feet per year)

	Low Estimate	High Estimate	Best Estimate
Inflow			
Deep Infiltration of Precipitation	8,350	11,316	9,668
Outflow			
AWD Pumping	228	254	254
Private Wells	35	100	74
Agricultural Pumping	269	1,076	538
Underflow	4,375	17,754	8,868
Total	4,907	19,184	9,734

Job No. 90001
October 28, 1995

RANCHO LARIOS SUBDIVISION
Preliminary Annual Water Usage Projections

A. Domestic Water Demand - Planned Unit Development

1. Residences
140 units x 3.5 persons/unit x 250 gal/day
= 137.24 ac-ft
2. Tennis Center (5 courts)
5 cts x 4 persons x 2 hrs x 6 shifts x 15 gal
= 4.03 ac-ft
3. Swimming Pool (25 ft. x 50 ft.)
12.5 units x 0.026 ac-ft/365 day
= 0.33 ac-ft
4. Equestrian Center
75 horses (consumption & maintenance)
20 gallon per day
Restrooms
4 x 0.1265 ac-ft/365 day
= 1.68 ac-ft
= 0.51 ac-ft

Total Domestic Demand

143.8 ac-ft

B. Irrigation Water Demand

1. Park and Recreation Fields
20 acres x 4 ac-ft per year
= 80.0 ac-ft
2. Pasture
150 acres x 2.0 ac-ft per year
= 300 ac-ft
3. Common Space
20 acres x 4 ac-ft per year
= 80 ac-ft
- Total Irrigation Demand
= 460 ac-ft

TOTAL PROJECT USAGE PROJECTION

Reference:

¹ Monterey Peninsula Water Management District User Data

² Department of Water Resources, Crop Water Use in California

= 803.8 ac-ft

375-0154

Rancho Larios

Project History

- In 1986, San Benito County Planning Commission(SBCPC) and San Benito County Board of Supervisors(SBCBS) unanimously approved a tentative map for a 140 single-family home subdivision on 702 acres west of San Juan Bautista. Approved amenities included irrigated pasture(140 acres), park (20 acres), equestrian facilities(20 acres), roping and riding arenas and barns and stables.

- An Environmental Impact Report(EIR) was prepared and certified by the SBCPC and SBCBS. One condition upon the approval was that an adequate water supply needed to be secured. The purpose for the application to the Aromas Water District is to satisfy that condition on the tentative map.

- The EIR addressed the issues of air quality, septic tank disposal, riding and hiking trails, transportation and highway improvements, and aesthetic features such as lighting and placement of homes outside the viewshed. In order to preserve the natural characteristic of that scenic corridor, the project is designed to insure that no homes are visible from either Highway 101 or 156.

- Since 1990, Mr. Del Piero has also discussed providing a school site at the proposed Rancho Larios development. It has been his hope that by providing the land for a school to be built, the Aromas-San Juan Bautista Unified School District could expand and meet the future enrollment needs of the children in the district.

Aromas Water District Impact

-The provision of all services to Rancho Larios including water service from the Aromas Water District ~~will not~~ cost the taxpayers of San Benito County or the rate payers of the Aromas Water District any additional monies. All Governmental services will be provided by County Service Area #45 which was approved by SBCBS on December 12, 1995. SBCBS will govern CSA #45 and the cost of all services provided to the subdivision will be paid by the Rancho Larios residents.

- CSA#45 will be responsible for providing Rancho Larios the following services: maintenance of drainage and storm drainage facilities, open space landscaping, recreational facilities, street lighting and replacement, water service and sewer systems, street sweeping and police and fire services. All costs for these services within the subdivision including the prorata share of pipeline construction, operating and maintenance costs will be paid by the residents of the Rancho Larios subdivision.

- The proposed rate Rancho Larios will pay to the Aromas Water District will result in a significant increase in revenues and a projected annual net income of approximately \$118,000. Additionally, the connection fee of \$4,200/home will generate approximately \$588,000. The usage and connection fees paid to the Aromas Water District could be used subsidize ongoing and future water and sewer system maintenance

and upgrades and offset any future need to increase water rates for existing Aromas Water District customers.

Water Usage

- A copy of the proposed annual water usage budget for the Rancho Larios subdivision has been supplied to the Aromas Water District and is attached. The 603 acre/ft is the projected maximum usage. It is expected that actual annual water usage generally will be below the projected maximum.

Application Process

The request made to the Aromas Water District is to approve a contract to provide permanent water service to CSA#45, governed by the SBCBS. CSA#45 serves the Rancho Larios subdivision. An outline of past and future Board action follows:

- 1) The Board of Directors of the Aromas Water District have held three meetings including a site visit to consider providing water to Rancho Larios.
- 2) The general manager has outlined the District's water reserves and safe yield. A complete and updated hydrological report on the condition of the Aromas groundwater basin is being completed by William Hutchinson. Hutchinson is the senior hydrologist who prepared the Luhdorff & Scalmanini Report on the Aromas Basin in 1992. The updated report will definitively quantify the available safe yield of the Aromas groundwater supply.
- 3) Hutchinson will meet individually with each Board member to present his findings and answer any and all questions Board members may have.
- 4) At the December 20, 1995, the Board of Directors will review the hydrologic report and the outline of the Contract for Service and consider approving in concept the request for water service to CSA#45. Upon approval in concept, the Chairman will set the next meeting date for action on the finalized contract.
- 5) At that scheduled meeting the Board would act to approve the finalized Contract for Service prepared by attorneys for the Aromas Water District and the Applicant, in consultation with the County Counsel of San Benito County.
- 6) Upon approval by the Aromas Board, the contract will be placed upon the first available agenda of the San Benito County Board of Supervisors for its approval.
- 7) Finally the approved contract will be presented to the San Benito County Local Agency Formation Commission for their review.

End of Contract for Service Process

ATTACHMENT 4



387 Blohm Ave. PO Box 388 Aromas CA 95004-0388
(831) 726-3155 FAX (831) 726-3951 email aromaswd@aol.com

July 20, 2009

Mr. Bob Shubert, Senior Planner
Monterey County Planning & Building
168 W Alisal St. 2nd Flr.
Salinas CA 93901

RE: Capacity Report as it relates to the
Heritage Oaks Sub-division application

Dear Mr. Shubert,

Please find attached the Aromas Water District (AWD) Capacity Report, as was last revised in September 2008. The purpose of this report is to identify the *water demand* or number of current and potential connections within our Sphere and Annexed boundary and compare these to the *production* capacity of our wells. As you know the AWD is a multi- county Special District, charged with serving customers in both San Benito and Monterey Counties, we have production wells in both counties, serving both counties.

Section A, reports 890 current meters at a maximum daily demand (MDD) of 0.68 GPM, This is based on data from the month of August 2007, which remains historically the month of highest usage. The MDD is therefore 583 GPM.

Section B, reports all other properties within our Sphere or Annexed boundaries in both counties, that due to a number of factors, could conceivably become connected services to AWD. The current zoning of every parcel was considered for its maximum build out. Of course, these would require approvals from the respective Planning Departments; AWD makes no approvals as to zoning. Our statistics show there are a total of 471 new potential connections within our annexed and sphere boundaries. Using the above MDD formula, this is a water demand of 320 GPM. This number includes the Heritage Oaks subdivision; an application for 35 connections which is a demand of 24 GPM.

Section A and Section B represent the maximum potential number of connections AWD boundaries could be requested to serve if every parcel was approved for maximum zoning build out. A total number of connections could be 1,361 or MDD of 925 GPM.

In the last section of the Capacity report, AWD evaluates the well production, both current and design capacity. The AWD is permitted for four (4) wells with a design capacity of 2070 GPM. The current demand is 583 GPM; total build-out using existing zoning including the proposed Heritage Oaks Sub-division of 35 connections is 925 GPM, less than 50% of the design capacity 2,070 GPM. As of September 2008 the current capacity of the three active wells is 1,220 GPM, well within the safe yield.

Please call me if you have any further questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Vicki Morris".

Vicki Morris
General Manager

Encl

Aromas Water District Capacity to Provide Service In the Existing Sphere of Influence

Revised September 2008

The following charts show the number of connections currently served, and the capacity for additional services in the future (Water Demand) and an estimation of the current capacity of the Aromas Water District to produce water (Production). The total number of potential services ("Grand Total Possible Buildout") was determined by adding the number of currently active meters, inactive meters, and potential future connections in Monterey and San Benito Counties within the Aromas Water District Spheres of Influence, as currently zoned.

AROMAS WATER DISTRICT SERVICE STATISTICS WITH MAXIMUM POTENTIAL LOTS AS CURRENTLY ZONED (2007):

WATER DEMAND

Connections		Number Of Connections	Maximum Daily Demand* (at .68 gpm factor)
A	Current Active Meters (Connections)	836	568 gpm
	Current Inactive Meters	54	37 gpm
	Total Current Meters	890	583 gpm
B	Annexed and currently connected, additional potential services to parcels (if subdivided):	50	34 gpm
	Annexed, but not yet connected, additional potential services to parcels (and subdivided lots):	365	248 gpm
	Spheres of Influence, not annexed, additional potential services to parcels (and subdivided lots):	56	38 gpm
	Total Potential Additional Services	471	320 gpm
	Grand Total Possible Build out (as estimated A+B)	1361	925 gpm

*The Maximum Day Demand (MDD) was recently updated to .68 gpm per meter. The MDD is determined by using production data from historically greatest month's use. (August 2007) That amount is used to figure an average days use during the month and multiplying it by a peaking factor of 1.5 times. The MDD is then broken down to a gallon per minute demand. The Maximum Daily Demand is used to establish the required production to serve our customers.

PRODUCTION

Sources	Current Capacity (gpm)	Design Capacity (gpm)
San Juan	700	700
Pleasant Acres	400	700
Carpenteria	120	465
Marshall Well	0	205
Total Capacity	1,220 gpm	2,070

Further Consideration: Title 22 California Code of Regulations Section 64554: Community water systems using only groundwater shall be capable of meeting MDD with highest-capacity source off line.

9/17/2008

ATTACHMENT 5



FALL CREEK ENGINEERING, INC.

Civil • Environmental • Water Resource Engineering and Sciences

Tel. (831) 426-9054

P.O. Box 7894, Santa Cruz, CA 95061

Fax. (831) 426-4932

October 20, 2009

John Bridges
Fenton & Keller
2801 Monterey Salinas Highway
Monterey, CA 93940

Subject: **Safe Yield Analysis of Aromas Groundwater Basin**
 Heritage Oaks Subdivision, Aromas, California

Dear Mr. Bridges:

Fall Creek Engineering, Inc. has conducted a technical review of the *Aromas Area Safe Yield Analysis*, Prepared by Woodward-Clyde Consultants (WWC), dated December 18, 1995, and the Aromas Water Districts *Capacity Report as it relates to the Heritage Oaks Sub-division application*, dated July 20, 2009. The purpose of our analysis was to review existing technical information to ascertain the *safe yield/sustainable yield* of the Aromas area groundwater basin, and to evaluate the beneficial impacts of the Heritage Oaks Subdivision on the groundwater system.

In summary, the results of our analysis, as discussed in more detail below, find that groundwater usage in the Aromas Area groundwater basin is below the recommended safe yield of the basin. This establishes that the groundwater basin provides a long-term and sustainable source of water for the Aromas area residents, the Aromas Water District, and the proposed Heritage Oaks subdivision.

Technical Review

WWC completed a technical analysis for Lombardo and Associates in 1995 to estimate the *safe yield* of the Aromas Area groundwater basin. The *safe yield* is defined as the limit to the quantity of water, which can be withdrawn regularly and permanently without over-drafting the available groundwater in storage. The *safe yield* analysis was conducted in part to determine the amount of water that can be "safely" pumped from the Aromas Area groundwater basin by the Aromas Water District and other groundwater users (private domestic and agricultural wells), without impacting the regional groundwater system.

WWC estimated that the Aromas Area groundwater basin has a total discharge of approximately 9,734 acre-feet per year (ac-ft/yr). WWC calculated the average annual rainfall using historical rainfall records for two local stations, the Aromas Fire Station and a private rain gage on Forest Road. WWC calculated the average rainfall in Aromas to range from 24.3 to 24.6 inches per year. Based on this average annual rainfall, WWC estimated that approximately 35 percent of the total annual rainfall (8.8) would recharge the groundwater basin, which is equivalent to 9,668 ac-ft/yr. This recharge rate is

considered to be realistic given the geologic setting and soil conditions found in the Aromas area.

WWC then calculated the *safe yield* of the Aromas Area groundwater basin. The *safe yield* was calculated by adding the ground water demand in the basin and 10 percent of the annual recharge rate. WWC established at the time of their analysis in 1995 the groundwater levels in the area did not exhibit any long-term trend, either up or down, suggesting that groundwater recharge and discharge volumes were approximately equal and that the local area basin was not over-drafted. WWC estimated that the total water demand in the Aromas Area groundwater basin was 866 ac-ft/yr, which was less than 10 percent of the recharge and discharge rates into and out of the basin, respectively. Of the total demand approximately 436 ac-ft/yr was assumed to be pumped from the AWD wells, 44.4 ac-ft/yr from 74 private wells, and 385 ac-ft from agricultural wells. Using this value, and adding 10 percent of the annual rainfall (967 ac-ft/yr), a recommended and conservative *safe yield* estimate was calculated to be 1,832 ac-ft/yr. This value is the recommended maximum pumping rate advisable to maintain a sustainable long-term ground water supply in the Aromas Area.

From 2002 to 2008, the AWD annual water usage ranged from 379 to 415 ac-ft/yr, respectively. This data indicates that total annual pumping rate in the basin, including AWD, private and agricultural wells has remained relatively constant, as compared to usage values estimated by WWC in 1995. Current groundwater usage is less than 50 percent of the estimated and recommended *safe yield of the groundwater basin*.

As presented in the *Hydrogeologic Assessment of the Proposed Heritage Oaks Subdivision*, prepared by Klienfelder Associates (dated 21, 2008), the proposed subdivision improvements will result in an increase level of groundwater recharge to the Aromas Area groundwater basin. However, to provide a conservative estimate of the potential impacts of the project and by assuming that the Heritage Oaks project was not implementing groundwater infiltration practices, the additional groundwater supplied by the AWD for the project would be approximately 38 ac-ft/yr. This amount of pumping would potentially increase the ground water usage in the basin to be 904 ac-ft/yr, which is still less than 50 percent of the *safe yield* of the basin.

However as previously reported by Klienfelder (2008), water balance calculations for the Heritage Oaks project will result in a total net outflow of 1.3 ac-ft/yr. This outflow will decrease the overall basin extraction rate to 902.7 ac-ft/yr, and maintaining the groundwater usage to less than 50 percent of the *safe yield*.

Conclusions

1. Current pumping rates in the basin are well below the recommended conservative long-term *safe yield* rates of the groundwater basin in the Aromas Area.

2. The recommended *safe yield* and groundwater pumping data indicate that ground water basin is and will remain a long-term and sustainable source of water supply in the Area and specifically for the Heritage Oaks subdivision project.
3. The proposed Heritage Oaks projects, as designed, will reduce the overall groundwater extraction rate in the basin maintain the total groundwater usage in the basin to less than 50 percent of the recommended *safe yield*, resulting in a net benefit to the groundwater basin to preserve a long-term sustainable source of groundwater in the Aromas Area.

Thank you for the opportunity to assist you with this analysis. If you have any questions or require any additional information, please contact me at (831) 426-9054.

Sincerely,



PETER HAASE, P.E.
Principal Engineer

cc: Wayne Holman, Aromas, California

ATTACHMENT 6



387 Blohm Ave. PO Box 388, Aromas CA 95004-0388
(831)726-3155 FAX (831)726-3951 email aromaswd@aol.com

October 16, 2009

Mr. John Bridges
Fenton & Keller
2801 Monterey Salinas Highway
Monterey CA 93942-0791

Re: Technical, Managerial & Financial (TMF)
AWD Public Water System # 3510004

Dear Mr. Bridges,

Per our discussion of October 13, 2009, I have outlined the details of a typical TMF report for the Aromas Water District (AWD), as may be periodically required by our regulating agency, lending institute or other required entity.

Technical:

- Groundwater (not surface water) through five (5) existing wells, serve the AWD.
- AWD operates as a Public Water System under the authority of the California Department of Public Health (CDPH).
- There are no restrictions due to inadequate source capacity placed on the system.
- There are no Primary Drinking Water Standards (MCLs) exceeded.
- The system has not exceeded a Drinking Water Standard for a chemical or microbial contaminant in over 10 years.
- In 2008, an Iron & Manganese removal/treatment plant was placed into operation, no Secondary MCLs are exceeded.
- System employs and is operated by Certified & Licensed Distribution (D-3) and Treatment Water Operators (T-2).
- There are no CDPH violations against the District.
- System has regularly scheduled maintenance program for: wells, pumps, tanks, valves and distribution lines.
- System has 1.1 million gallons of water in storage, for fire flow, storage and available for an emergency.
- The system has over 29 miles of distribution system, over 50% of that is less than 15 years old.

Managerial:

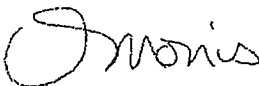
- AWD is a Multi-County Special District formed in 1959 under the California State Water Code.
- The system serves over 850 parcels or approximately 2800 population.
- It is governed by five elected at large board of directors, serving the greater area of the non-incorporated area of Aromas in both Monterey and San Benito Counties.
- The District employs a General Manager, Administrative Assistant, 2 PT Customer Service, 2 FT licensed Operators, and contracts with the attorney and auditor.
- Regular training and education is offered and required of both its board and employees.
- Annual Financial Statements are completed by an outside audit firm and Annual State Controller's Reports are completed and filed timely.
- The annual Water Quality Reports, Monthly Board Meeting Minutes and other valuable information are available on line at the District website: www.aromaswaterdistrict.org.

Financial:

- As of 6/30/2009, the Total Liabilities are \$1,005,915 l; the Total Assets of AWD are \$6,638,240.
- The 2009-2010 Expense Budget is \$930,800.
- The Board of Directors review the monthly summary of revenues and expenses as well as participate in the Budget and Audit committees.
- The Capital Improvement Plan is prepared annually and reviewed monthly.
- In 2007 an extensive Water Rate Study was completed; the result increased the water rates by 6.5% for four consecutive years. This has enabled the District to continue building cash reserves for depreciation, replacement and emergencies.
- The water rates cost an average customer between \$50-\$80 per month.
- County property tax apportionments are received by the AWD representing approximately 6% of the revenue.

I hope this information has been helpful to clarify and collaborate AWD's statement of confirmed capacity to serve the parcels within our annexed boundaries. Please call with any questions.

Sincerely,



Vicki Morris
General Manager

Encl: Annual Audited Financial Statements 2007-08, Annual Water Quality Report

AROMAS WATER DISTRICT

* * *

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

June 30, 2008 and 2007

AROMAS WATER DISTRICT

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June 30, 2008 and 2007

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Frank A. Minuti, Jr.
Robert W. Smiley
Thomas C. Bondi
Lawrence S. Kuechler

EMERITUS

Alexander W. Berger (1916-2005)
Griffith R. Lewis

BERGER/LEWIS
ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Roberto M. Maragoni
Daniel C. Moors
Randy G. Peterson
David R. Sheets
Todd W. Robinson

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Aromas Water District
Aromas, California

We have audited the accompanying balance sheets of the Aromas Water District as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aromas Water District as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.


The Management's Discussion and Analysis and the other required supplementary information identified in the accompanying table of contents is not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Berger/Lewis Accountancy Corporation

BERGER/LEWIS ACCOUNTANCY CORPORATION
Santa Cruz, California
November 12, 2008

- 1 -

740 FRONT STREET SUITE 365 SANTA CRUZ, CA 95060 (831) 423-6500 (P) (831) 423-5206 (F)

MEMBER OF  AN ASSOCIATION OF SEPARATE AND INDEPENDENT ACCOUNTING & CONSULTING FIRMS

AROMAS WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

The following discussion and analysis of the Aromas Water District's ("AWD") financial performance presents management's overview of the District's financial activities for the year ended June 30, 2008. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts - Management's Discussion and Analysis (this section) and the Basic Financial Statements.

The Governmental Accounting Standards Board has issued the accounting standard referred to as *GASB Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB No. 34 establishes financial reporting standards for state and local governments including states, cities, villages and special purpose governments such as school districts and public utilities. This standard had minor impacts upon the financial reporting and accounting performed by the AWD.

1. The District presents comparative balance sheets. The format of the information has a listing of the total assets less liabilities; this difference is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating and provides a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.
2. The District presents comparative statements of revenues, expenses and changes in net assets. This statement measures the success of AWD operations over the past year and can be used to determine whether the District recovered its cost through water sales user fees and other charges and its credit worthiness. Contributed capital is reported on the statement of revenues, expenses, and changes in net assets in the line entitled, "Capital Contributions" following non-operating revenues and expenses.
3. The District presents comparative statements of cash flows which include a summarization of the cash flows from operations and investments during the reporting period. The statement of cash flows reconciles the reasons why cash from operating activities differs from operating income.

AROMAS WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

AWD operates as a utility enterprise and maintains its accounting records in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The basic financial statements include a balance sheet, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. The balance sheet includes all of AWD's assets and liabilities, with the difference between the two being reported as Total Net Equity or Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating and provides a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. The statement of revenues, expenses, and changes in net assets report all of AWD's revenues and expenses during the periods indicated. The statement of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from taxes, debt financing, and investment income, and cash used for construction projects and interest payments.

ASSETS

Fiscal Year 2008: Net capital assets include plant and construction work in progress, net of accumulated depreciation and amortization. At June 30, 2008, net capital assets (including idle assets of \$1,000) totaled \$5,360,838 or 80.3% of total assets. Restricted cash of \$584,000 remains unexpended as of June 30, 2008, representing capital improvement funds borrowed from San Benito Bank in July 2006, for planned construction projects in 2006-2010.

Fiscal Year 2008 Compared To 2007: In fiscal year 2008, total current assets totaled \$616,702, this represented \$502,742 in unrestricted cash and \$113,960 in accounts receivable, inventory and prepaid expenses. Those amounts represent a 2.9% decrease in cash and 3.3% decrease in total current assets over fiscal year 2007. This decrease in fiscal year 2008 is primarily due to the investment in infrastructure and capital improvements.

LIABILITIES

At June 30, 2008, total long term debts totaled \$937,452 and consisted of; thirty-six months remaining on 1972 general revenue bonds, \$9,000; and a capital improvement note payable to San Benito Bank of \$964,388. The current portion of the long term liabilities, \$35,936; includes twelve months of principal payments on the new capital improvement loan \$33,936 and \$2,000 in general revenue bonds.

At June 30, 2008, current liabilities (other than the current portion of long term liabilities) totaled \$137,067, which was \$20,205 or 17.3% higher than the prior fiscal year 2007 of \$116,862. These represent other current liabilities that are due within one year. They include accounts payable, accrued liabilities, Pajaro Valley Water Management Agency's basin well augmentation fees collected, and accrued vacation, for example.

AROMAS WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

FINANCIAL HIGHLIGHTS

During the year ending June 30, 2008, the District met its largest goal planned for in the previous recent years. The iron and manganese removal plant was nearly completed. Financed by the capital loan originally acquired in July 2006 for multiple projects including this plant. The District began planning to build a new office facility in 2006-2007, this year the land purchase was started by making a deposit into an escrow and draft building plans are in process. Grant funding from California State Proposition 50 collaborative application was approved, funding that originally was scheduled for the 2007-2008 fiscal year, has been delayed by the State bond freeze, the District's share is to be \$153,000.

A community of 11 parcels joined the District in 2007-2008; a property tax assessment bond was funded for the cost of the infrastructure and connection fees in the amount of \$495,000. The annual bond payments are made by the eleven parcel owners through their property taxes. The District receives these tax revenues for the bond debt assessment and forwards it to the bank trustee; this is not a debt of the District. The capital improvements were contributed to the District in the amount of \$522,227.

A four year rate increase was adopted by the Board in June 2007, becoming effective October 1, 2007. The new water rates reflect a 6.5% increase each year, effective each July 1st through the 2010-2011 fiscal year. The commodity rates remain tiered to encourage conservation.

STATEMENT OF NET ASSETS

	<u>2008</u>	<u>2007</u>	<u>\$ Change</u>	<u>% Change</u>
Checking/Savings	\$ 502,742	\$ 517,770	\$ (15,028)	-2.9%
A/R and Other Current Assets	113,960	119,686	(5,726)	-4.8%
Total Current Assets	<u>616,702</u>	<u>637,456</u>	<u>(20,754)</u>	<u>-3.3%</u>
Fixed Assets, Net of Depreciation	5,360,838	4,576,061	784,777	17.1%
Other Assets	699,780	950,171	(250,391)	-26.4%
Total Assets	<u>6,677,320</u>	<u>6,163,688</u>	<u>513,632</u>	<u>8.3%</u>
Current Liabilities	137,067	116,862	20,205	17.3%
Current Portion of Long-Term Liabilities	35,936	38,591	(2,655)	-6.9%
Long-Term Liabilities	937,452	974,056	(36,604)	-3.8%
Total Liabilities	<u>1,110,455</u>	<u>1,129,509</u>	<u>(19,054)</u>	<u>-1.7%</u>
Total Net Assets	<u>\$ 5,566,865</u>	<u>\$ 5,034,179</u>	<u>\$ 532,686</u>	<u>10.6%</u>

AROMAS WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Aromas Water District's principal source of revenue is from water sales, representing approximately 78% of the total revenue. AWD's water sources are three local deep-water wells, demand for water production remained relative for fiscal year 2008 and the previous fiscal year 2007.

STATEMENT OF REVENUES AND EXPENSES

	<u>2008</u>	<u>2007</u>	<u>\$ Change</u>	<u>% Change</u>
Water Revenue	\$ 725,755	\$ 686,726	\$ 39,029	5.7%
Other Revenues	93,610	90,629	2,981	3.3%
Connection Fees	107,712	32,459	75,253	231.8%
Total Revenues	<u>927,077</u>	<u>809,814</u>	<u>117,263</u>	<u>14.5%</u>
Operations & Maintenance	92,903	78,933	13,970	17.7%
Payroll & Benefits	370,264	304,213	66,051	21.7%
Power Costs	71,713	75,258	(3,545)	-4.7%
Administrative & General	147,150	134,409	12,741	9.5%
Sub-Total Expenses	<u>682,030</u>	<u>592,813</u>	<u>89,217</u>	<u>15.0%</u>
Sub-Total Net Income	<u>245,047</u>	<u>217,001</u>	<u>28,046</u>	<u>12.9%</u>
Depreciation	<u>234,588</u>	<u>234,897</u>	<u>(309)</u>	<u>-0.1%</u>
Total Expenses	<u>916,618</u>	<u>827,710</u>	<u>88,908</u>	<u>10.7%</u>
Capital Contributions	<u>522,227</u>	<u> </u>	<u> </u>	
Net Income (Loss)	<u>\$ 532,686</u>	<u>\$ (17,896)</u>	<u>\$ 550,582</u>	

The increase in water revenue reflects the annual 6.5% rate increase. Connection fees (\$107,712) exceeded normal due to the addition of an existing eleven parcel subdivision suffering from lack of water, the capital contribution of their infrastructure added \$522,227 to the revenue. Tax revenue for 2007-2008 was \$68,808 compared to \$64,888 in 2006-2007. The Payroll expense increase includes several factors; increase in hours of several employees and Board of Director stipend expense category changed to Payroll from Administrative. District policy has become more pro-active in preventative repair and maintenance, thus an increase in Operations and Maintenance Expense.

AROMAS WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

CAPITAL ASSETS AND CAPITAL IMPROVEMENT PROGRAMS

In a continuing effort to improve water quality, the District contracted for the building of the iron and manganese removal plant, construction begun in fiscal year 2006-2007 and completed construction in June 2008, but actual operation of the plant did not begin until September 2008. The project is considered in progress at the end of fiscal year 2008. Investments of \$357,063 have been made. In 2007-2008 the District was able to continue to upgrade water meters to radio-reads, investing \$7,222 in an ongoing plan to replace all manual read meters, thereby reducing employee time and liability. Invested \$7,000 in drafting plans for the future home of the District office, part of the long range plan to build a District office and board room in 2009-2010.

DEBT ADMINISTRATION

The District has a total debt outstanding balance of \$973,388 as of June 30, 2008:

	Total	Current	Long-Term
San Benito Bank Capital Project Loan 2006	\$ 964,388	\$ 33,936	\$ 930,452
1972 Water Revenue Bonds	9,000	2,000	7,000
	<u>\$ 973,388</u>	<u>\$ 35,936</u>	<u>\$ 937,452</u>

Debt transactions during the year ended June 30, 2008, consisted of required debt payments. On July 19, 2006, the District secured financing of \$1,020,000 with annual payments of \$79,625 at 4.8% from San Benito Bank. The payments are amortized over 20 years, but will require refinancing in 10 years. These funds are for the express purpose of capital funding identified projects; iron and manganese removal/treatment plant, two replacement 200,000 plus gallon water storage tanks, electrical generator for emergency backup and the payoff of the SCADA loan from Telstar. The iron and manganese removal plant was completed this year and the engineering for the Rea Tank replacement began; it should be completed in 2008-2009. The 1972 bonds were issued to finance the water treatment facility at Marshall Well and upgrade the distribution system; final payment is due in 2012.

SIGNIFICANT DIFFERENCES, BUDGET TO ACTUAL

For financial statement presentation actual depreciation expense of \$234,588 is used. For District budget preparation \$72,000 is used. This results in the difference between the District's Budgeted Net Revenue of \$76,193 and the actual net of \$10,459. Of this difference \$162,897 was due to depreciation. For budget purposes the District uses this expected cash to be set aside for rebuilding the capital reserves. The 2007 Rate Study adopted by the Board of Directors placed a 6.5% increase on the service and commodity rates for four consecutive years through fiscal year 2010-2011.

AROMAS WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's fiscal year 2008-2009 income/expense budget is \$889,000. Increases in water sales, rate increase of 6.5%, and interest income from investment of capital loan proceeds not yet expended have contributed to the stable revenue stream and steady cash reserve increases. The capital projects began in 2007-2008 will continue towards completion in 2008-2009; replacement of redwood storage tanks, generator, SCADA enhancement, and purchase of property for the future home of the District office.

The current District office space lease expired on December 31, 2007; subsequent to that date the District continues on a month to month lease at a monthly rent increase of 38% in January 2008. The District has entered into a purchase Escrow for real estate located next to the existing Carpenteria Well site and contiguous with the CDF fire station in order to build a new District office. District reserve funds of \$96,639 were placed in an escrow account on June 25, 2008. Funds would be borrowed to finance the construction with payments approximating those of the monthly rental lease.

The 2005 State Proposition 50 joint regional grant application with the Pajaro Valley Water Management, San Benito County Water Resources and the Santa Clara Water District in the amount of \$153,000 (AWD's portion) was approved in November 2007, but economic problems with the State have frozen the bond funds temporarily.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board, our customers, and all creditors with a general overview of the Aromas Water District's accountability for the assets it receives and manages. The District provides all management and administrative functions, including all financial management and accounting. If you have any questions about this report or need additional information, please contact Aromas Water District's controller at 387 Blohm Avenue, Aromas, CA 95004, (831) 726-3155 or by email at aromaswd@aol.com.

AROMAS WATER DISTRICT

BALANCE SHEETS

June 30, 2008 and 2007

ASSETS		
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and Certificate of Deposits	\$ 502,742	\$ 517,770
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$500 and \$500, for 2008 and 2007, respectively.	87,459	86,211
Other Receivables	2,349	11,681
Inventory and Supplies	19,200	17,000
Prepaid Expenses	<u>4,952</u>	<u>4,794</u>
Total Current Assets	<u>616,702</u>	<u>637,456</u>
PROPERTY AND EQUIPMENT, Net of Accumulated Depreciation of \$2,016,761 and \$1,801,927, for 2008 and 2007, respectively.	5,359,838	4,575,061
DEPOSITS HELD IN ESCROW	96,639	
DEPOSITS	2,991	3,121
RESTRICTED CASH - Capital Projects	584,000	929,000
DEFERRED CHARGES, Net of Accumulated Amortization of \$2,850	16,150	18,050
IDLE ASSETS, Net of Accumulated Depreciation of \$42,400 and \$42,400, for 2008 and 2007, respectively.	<u>1,000</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 6,677,320</u>	<u>\$ 6,163,688</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

AROMAS WATER DISTRICT

BALANCE SHEETS
(Continued)

June 30, 2008 and 2007

LIABILITIES AND NET ASSETS

	2008	2007
CURRENT LIABILITIES:		
Accounts Payable	\$ 85,700	\$ 66,580
PVWMA Payable	16,331	17,114
Accrued Interest	11,570	11,965
Accrued Liabilities	13,016	12,603
Customer Deposits	10,450	8,600
Current Portion of Long-Term Bonds	2,000	2,000
Current Portion of Long-Term Debt	33,936	36,591
Total Current Liabilities	173,003	155,453
LONG-TERM LIABILITIES:		
Bonds Payable, Net of Current Portion	7,000	9,000
Debt, Net of Current Portion	930,452	965,056
Total Long-Term Liabilities	937,452	974,056
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	5,068,089	4,492,414
Unrestricted Net Assets	498,776	541,765
Total Net Assets	5,566,865	5,034,179
TOTAL LIABILITIES AND NET ASSETS	\$ 6,677,320	\$ 6,163,688

See Independent Auditor's Report and Accompanying Notes to Financial Statements

AROMAS WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES:		
Water Revenue	\$ 722,901	\$ 684,926
Bulk Water	2,854	1,800
Total Operating Revenues	<u>725,755</u>	<u>686,726</u>
OPERATING EXPENSES:		
Salaries	322,314	265,636
Payroll Taxes	26,094	21,808
Retirement Benefits --PERS	23,856	19,769
Power	71,713	75,258
Repairs & Maintenance	40,892	22,924
Outside Services	1,887	1,230
Truck Expense	16,420	12,312
Telemetry	3,421	4,135
Depreciation	234,588	234,897
Amortization	1,900	950
Annexation/EIR/Planning	7,800	13,946
Water Analysis and Treatment	25,475	27,694
Tools	2,316	2,057
Insurance	74,020	58,843
Office	13,074	12,923
Telephone	7,570	7,746
Accounting	5,250	5,000
Legal	9,891	10,821
Bad Debts		236
Election Expense		3,569
Miscellaneous	2,647	937
Memberships	6,657	6,506
Education	1,202	3,952
Rent	17,631	14,561
Total Operating Expenses	<u>916,618</u>	<u>827,710</u>
Operating Loss	<u>(190,863)</u>	<u>(140,984)</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

AROMAS WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(Continued)

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
NON-OPERATING REVENUES (EXPENSES):		
Connection and Meter Installations	\$ 107,712	\$ 32,459
Property Taxes	68,808	64,888
Interest Income	51,505	59,236
Interest Expense	(29,420)	(49,588)
Miscellaneous Income	<u>2,717</u>	<u>16,093</u>
Net Non-Operating Revenues	<u>201,322</u>	<u>123,088</u>
Net Income (Loss) Before Capital Contributions	10,459	(17,896)
CAPITAL CONTRIBUTIONS	<u>522,227</u>	
INCREASE (DECREASE) IN NET ASSETS	532,686	(17,896)
NET ASSETS, BEGINNING OF YEAR	<u>5,034,179</u>	<u>5,052,075</u>
NET ASSETS, END OF YEAR	<u>\$ 5,566,865</u>	<u>\$ 5,034,179</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

AROMAS WATER DISTRICT

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Customers	\$ 733,575	\$ 701,816
Cash Paid to Suppliers and Employees	(663,608)	(567,840)
Net Cash Provided by Operating Activities	69,967	133,976
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property Taxes Received	70,922	66,875
Net Cash Provided by Noncapital Financing Activities	70,922	66,875
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Loan		1,020,000
Loan Costs		(19,000)
Principal Payments on Loans	(37,259)	(56,013)
Principal Payments on Bonds	(2,000)	(2,000)
Acquisition and Construction of Capital Assets	(593,777)	(185,989)
Interest Paid	(29,815)	(37,623)
Connection Fees	107,712	32,459
Miscellaneous Income	2,717	16,093
Net Cash Provided (Used) By Capital and Related Financing Activities	(552,422)	767,927
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Cash and Investments	51,505	59,236
Net Cash From Investing Activities	51,505	59,236
NET INCREASE (DECREASE) IN CASH	(360,028)	1,028,014
CASH, Beginning of Year	1,446,770	418,756
CASH, End of Year	\$ 1,086,742	\$ 1,446,770

See Independent Auditor's Report and Accompanying Notes to Financial Statements

AROMAS WATER DISTRICT

STATEMENTS OF CASH FLOWS
(Continued)

For the Years Ended June 30, 2008 and 2007

RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating Loss	\$ (190,863)	\$ (140,984)
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	236,488	235,847
(Increase) Decrease in:		
Accounts Receivable	(1,248)	22,210
Other Receivables	7,218	(9,120)
Inventory	(2,200)	(2,000)
Prepaid Expenses	(158)	180
Deposits	130	130
Increase (Decrease) in:		
Accounts Payable	19,120	21,620
Accrued Liabilities	413	2,863
Customer Deposits	1,850	2,000
PVWA Payable	(783)	1,230
Net Cash Flows Provided by Operating Activities	<u>\$ 69,967</u>	<u>\$ 133,976</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO THE STATEMENTS OF NET ASSETS:

	Unrestricted Assets	Proceeds from Capital Loan	Statements of Cash Flows Total
Year Ended June 30, 2008:			
Cash and Cash Equivalents, Beginning	\$ 517,770	\$ 929,000	\$ 1,446,770
Net Increase (Decrease)	<u>(15,028)</u>	<u>(345,000)</u>	<u>(360,028)</u>
Cash and Cash Equivalents, Ending	<u>\$ 502,742</u>	<u>\$ 584,000</u>	<u>\$ 1,086,742</u>
Year Ended June 30, 2007:			
Cash and Cash Equivalents, Beginning	\$ 418,756	\$ -	\$ 418,756
Net Increase (Decrease)	<u>99,014</u>	<u>929,000</u>	<u>1,028,014</u>
Cash and Cash Equivalents, Ending	<u>\$ 517,770</u>	<u>\$ 929,000</u>	<u>\$ 1,446,770</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

AROMAS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - The Aromas Water District was formed in 1959 under the State of California Water Code (Division 12, Section 30000 et seq.) as a County Water District and is located 16 miles north of the City of Salinas. The District is approximately 20 square miles and provides water service to most of the unincorporated area of Aromas (population 3,500) and a portion of the unincorporated area east of the City of Watsonville. The District is a governmental agency and is exempt from federal and state income tax.

District Officials - The District is governed by a board of five directors. The following were in office at June 30, 2008:

	<u>Term Expires</u>
Stuart Cardott, President	November 2010
Ernest Huggins, Vice-President	November 2008
Marcus Dutra	November 2010
Lee Duggs	November 2010
Chad Mesiroff	November 2008

Other officials of the District at June 30, 2008 were:

Larry Cain, Manager
Vicki Morris, Controller
Robert Bosso, Legal Counselor

Method of Accounting - An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The operating revenues of the District are charges to customers for water sales. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Contributed assets are reported as non-operating other income.

Pronouncements of GASB and FASB - The Proprietary Fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The net assets are segregated into invested in capital assets, net of related debt and unrestricted net assets.

Accounts Receivable - The District utilizes an allowance for bad debts with respect to its accounts receivable. The allowance at June 30, 2008 and 2007 was \$500. Management's periodic evaluation of the adequacy of the allowance is based on the District's past bad debt experience. Accounts receivable are charged off when it is deemed uncollectible.

AROMAS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventory - Inventories consist primarily of water meters and parts used in the repair and maintenance of the water utility plant and are stated at cost using the first-in, first-out method.

Property, Equipment and Depreciation - The District records fixed assets at cost and depreciates these assets using the straight-line method. Depreciation is based on the following estimated useful lives:

Machinery and Equipment	3 - 5 years
Improvements to Wells, Tanks and Lines	20-40 years
Vehicles	5 years
Buildings	35 years

Maintenance and repairs are charged against income; major renewals and repairs are capitalized and depreciated. Water systems contributed by developers and associations annexed by the District are recorded at their fair market value on the date of contribution.

The amount of interest capitalized as part of the District constructed assets is calculated by applying the appropriate interest rate to average accumulated expenditures during the construction period.

Idle assets are assets which have been taken out of service but are retained by the District.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes - Property tax in California is levied in accordance with Article XIII A of the State constitution at 1% of countrywide assessed valuations. The property taxes are placed in a pool and are then allocated to the local government units based upon complex formulas. Property tax revenue is recognized in the fiscal year in which taxes have been levied. The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 11 Second Installment - April 11

Cash Flows - The District presents its cash flow statements using the direct method. For purposes of cash flow presentation, the District considers time deposits with a term of three months or less to be cash equivalents.

AROMAS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2008 and 2007

2. CASH AND INVESTMENTS:

The District conducts all of its banking and investment transactions with San Benito Bank and through the State of California Local Agency Investment Fund (LAIF). The LAIF is duly chartered and administered by the State of California and the portfolio normally consists of U.S. T-bills, T-notes, collateralized certificates of deposits, and repurchase agreements. The District records all interest revenue earned from investment activities in the respective funds.

The District has invested funds in the Local Agency Investment Fund (LAIF), which is an unrated investment fund. The fund was created by California Government Code Section 16429.1, 2, 3, as an alternative investment for California's local governments and special districts. The Fund invests in U.S. Treasury securities, federal agency securities, bankers acceptances, certificates of deposits, collateralized time deposits, corporate paper and bonds and repurchase agreements. Under federal regulations the State of California can not declare bankruptcy, so money placed with the state treasurer for deposit in the funds shall not be subject to impoundment or seizure by any state official or state agency. At June 30, 2008 and 2007, the balances on deposit with the Local Agency Investment Fund were \$773,661 and \$1,077,135, respectively.

Investments are stated at cost and all investment activities are conducted through San Benito Bank and LAIF. During the fiscal year ended 2008 the District did not invest through security brokers or dealers.

	Carrying Amount		Market Value	
	2008	2007	2008	2007
Checking and Savings	\$ 313,081	\$ 369,635	\$ 313,081	\$ 369,635
LAIF	773,661	1,077,135	773,661	1,077,135
Total Cash and Investments	<u>\$ 1,086,742</u>	<u>\$ 1,446,770</u>	<u>\$ 1,086,742</u>	<u>\$ 1,446,770</u>

3. PROPERTY AND EQUIPMENT:

At June 30, property and equipment consists of the following:

	2008	2007
Water Systems	\$ 6,472,289	\$ 5,884,834
Land and Water Rights	194,527	187,373
Vehicles	65,932	74,891
Office Furniture and Fixtures	88,972	86,974
Capital Assets in Use	6,821,720	6,234,072
Less: Accumulated Depreciation	(2,016,761)	(1,801,927)
	4,804,959	4,432,145
Construction in Progress	554,879	142,916
Property and Equipment, Net	<u>\$ 5,359,838</u>	<u>\$ 4,575,061</u>

AROMAS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2008 and 2007

3. PROPERTY AND EQUIPMENT (Continued):

At June 30, idle property and equipment consisted of the following:

	2008	2007
Land	\$ 1,000	\$ 1,000
Machines and Equipment	22,000	22,000
Improvements	20,400	20,400
	43,400	43,400
Less: Accumulated Depreciation	(42,400)	(42,400)
Idle Property and Equipment, Net	<u>\$ 1,000</u>	<u>\$ 1,000</u>

4. CONCENTRATION OF CREDIT RISK, ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS:

At June 30, 2008 and 2007, the District maintained cash and certificate of deposit balances at the following institution located in Hollister, California:

San Benito Bank:

	2008	2007
Checking & Savings	\$ 312,981	\$ 369,535
FDIC Insurance	(100,000)	(100,000)
Collateralized Funds	<u>\$ 212,981</u>	<u>\$ 269,535</u>

At June 30, 2008 and 2007, of the bank balance, \$100,000 was covered by federal depository insurance; \$212,981 and \$269,535, respectively, were collateralized by the pledging institutions as required by Section 53652 of the California Government Code. Under the California Government Code, a financial institution is required to secure deposits in excess of \$100,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first deed trust notes having a value of 150% of the secured public deposits.

AROMAS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2008 and 2007

5. LONG-TERM BONDS PAYABLE:

The details of long-term bonds payable are as follows:

	2008	2007
Aromas County Water District Water Bonds of 1960, Third Division	\$ 9,000	\$ 11,000
Less: Current Portion	(2,000)	(2,000)
Long-Term Bonds Payable	<u>\$ 7,000</u>	<u>\$ 9,000</u>

The Aromas County Water District Bonds of 1960, Third Division, dated July 11, 1972, are due in installments through January 1, 2012. The original bond issuance was \$45,000. The bonds bear interest at the rate of five percent (5%) per annum. The bonds are to be paid with property tax assessments which are collected by the County of San Benito. The bonds mature serially on January 1, in the years and amounts as follows:

2009	\$ 2,000
2010	2,000
2011	2,500
2012	2,500
	<u>\$ 9,000</u>

6. LONG-TERM DEBT:

The details of long-term debt at June 30, 2008 and 2007 are as follows:

	2008	2007
Note Payable to San Benito Bank in monthly interest and principal payments of \$363.56, interest at 4.19% due August 2008. Secured by vehicle.		\$ 4,922
Note Payable to San Benito Bank; interest at 4.80% ,with quarterly payments of interest and principal of \$19,905 for initial 10 year loan term until July 2016; right to extend loan term upon approval for 10 year period with loan balance due July 2026.	\$ 964,388	996,725
	964,388	1,001,647
	(33,936)	(36,591)
Less: Principal Due in One Year		
Long-Term Debt, Net of Current Portion	<u>\$ 930,452</u>	<u>\$ 965,056</u>

Future maturities of long-term debt are as follows:

	Principal	Interest	Total
2009	\$ 33,936	\$ 45,685	\$ 79,621
2010	35,594	44,027	79,621
2011	37,334	42,287	79,621
2012	39,158	40,463	79,621
2013	41,072	38,549	79,621
2014 - 2017	777,294	110,905	888,199
	<u>\$ 964,388</u>	<u>\$ 321,916</u>	<u>\$ 1,286,304</u>

AROMAS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2008 and 2007

7. EMPLOYEES' RETIREMENT PLAN:

Through December 31, 2005, the District maintained a Simplified Employee Pension - Individual Retirement Account, under 408(k) of the Internal Revenue Code. This retirement plan was available to all employees over the age of 18 and with one year of service. The retirement plan vested 100% upon qualification. Effective January 1, 2006, the District no longer contributes to the Simplified Employee Pension.

Effective January 1, 2006, the District adopted a defined benefit pension plan as follows:

Plan Description - The Aromas Water District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The District's defined benefit pension plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy - Active plan members in the Aromas Water District's defined pension plan are required to contribute 7% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007/2008 was 8.079% for miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost - For fiscal year 2007/2008, the Aromas Water District's defined benefit pension plan's annual pension cost was \$23,856 for PERS and was equal to the District's required and actual contributions. The required contribution for fiscal year 2007/2008 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service age, and type of employment, and (c) 3.25% overall payroll growth. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of Aromas Water District's defined benefit pension plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses.

AROMAS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2008 and 2007

8. COMPENSATED ABSENCES:

Accumulated unpaid employee compensated absences are recognized as liabilities of the District. The accumulated compensated absences at June 30, 2008 and 2007, were \$13,016 and \$12,603, respectively.

9. CAPITAL CONTRIBUTIONS:

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment. At the completion of a capital project that has been contributed to the District, assets are annexed into the District and become the property of the District. The District then becomes responsible for the maintenance, upkeep and eventual replacement of such assets.

10. COMMUNITY FACILITIES DISTRICT:

On September 16, 1998, Resolution No. 98-22 was adopted by the Board of Directors of the District which established the Community Facilities District (CFD District). Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982. The bonds are secured by and payable from the pledge of the Special Taxes collected by the District levied upon certain real property within the CFD District. The bonds are not a debt of the District, the CFD District, the County, the State of California or any of its political subdivisions, and neither the District, the CFD District, the County, the State nor any of its political subdivisions is liable therefore. Consequently, the District does not include the bond debt, the bond redemption or reserve funds or cash collected from the Special Tax on its financial statements.

The District collects the tax revenues from the bond debt and forwards it to the bonding company. Any tax monies collected but not remitted would be recorded as a liability.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate carrying value, principally because of the short maturity of those items.

The fair value of the District's long-term bonds payable and debt approximate carrying value principally because of the relative short term maturity of those items.

AROMAS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2008 and 2007

7. EMPLOYEES' RETIREMENT PLAN (Continued):

Three-Year Trend Information:

The District adopted PERS effective January 1, 2006.

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/06	\$ 9,003	100%	N/A
6/30/07	\$19,769	100%	N/A
6/30/08	\$23,856	100%	N/A

Required Supplementary Information

Funded Status of the Plan:

As part of the program to smooth the changes in required employer contributions for smaller plans, resulting from changes in actuarial assumptions and short-term market experience, PERS placed plans of 100 or fewer members into "Risk Pools". Formation of the risk pools required the establishment of "Side Funds" to account for the differences between the funded status of the risk pool and the funded status of the member districts plan. The "Side Pool" represents unfunded liabilities to be amortized on an annual basis over a closed period. The "Side Fund" liabilities for Aromas Water District as of June 30, 2008 were \$2,795.

The table below displays a schedule of funding progress for the recent history of the risk pool's Accrued Liability, Actuarial Value of Assets, Unfunded Liability, Funded Status (i.e., the ratio of the Actuarial Value of Assets to Accrued Liability), the estimated Annual Covered Payroll for the risk pool, and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of that covered payroll.

Funded Status of the Risk Pool:

Funded Status of the Miscellaneous Plan Risk Pool

Valuation <u>Date</u>	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded	Annual Covered Payroll	UAAL as % of Payroll
6/30/04	\$2,746,095,668	\$2,460,944,656	\$285,151,012	89.6%	\$743,691,970	38.3%
6/30/05	\$2,891,460,651	\$2,588,713,000	\$302,747,651	89.5%	\$755,046,679	40.1%
6/30/06	\$2,754,396,608	\$2,492,226,176	\$262,170,432	90.5%	\$699,897,835	37.5%

AROMAS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2008 and 2007

12. OPERATING LEASES:

The District entered into a lease on January 1, 2004, for the site for its office building. The initial lease term began on January 1, 2004 and ended December 31, 2007. The base amount of monthly rent was \$950 and increased \$50 annually each January 1. Additional rent included real property taxes.

At the end of the lease period, the District began renting the site of its office building on a month-to-month basis beginning January 1, 2008 for a monthly rent of \$1,700. The annual rent expense was \$17,631 and \$14,561, for the years ended June 30, 2008 and 2007, respectively.

13. NOTE PAYABLE - CAPITAL PROJECTS:

During the fiscal year ended June 30, 2007, the District borrowed \$1,020,000 to finance water system improvements; these include construction of an Iron and Manganese Removal Treatment Plant, replacement of two redwood water storage tanks with steel tanks, installation of electrical generators at key sites in the event of an emergency, and repayment of the Telstar, Inc. note balance. On July 19, 2006, the loan for \$1,020,000 was funded by San Benito Bank at 4.80% interest, with quarterly payments of interest and principal due of \$19,905 for the initial 10 year loan period until July 2016. The District has the right to extend the term of the loan for an additional 10 years, until July 2026, upon approval. During the extended loan term, interest on the unpaid principal balance shall be calculated at a rate of interest to be agreed upon between the District and San Benito Bank. As of June 30, 2008, the balance due on the note was \$964,388.

Long-term debt issuance costs associated with the Capital Projects Note Payable were \$19,000. These costs have been capitalized and are being amortized over the life of the related debt using the straight-line method. Accumulated amortization at June 30, 2008 was \$2,850.

14. RISK MANAGEMENT:

The District is exposed to various risk or loss for which the District carries insurance. There have been no significant reductions in coverage from the prior year. The District is a participating member of the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA/JPIA"). ACWA/JPIA is a self-insured association of independent water agencies. ACWA/JPIA funding is based on rates established by ACWA/JPIA's executive committee. ACWA/JPIA administers claims in-house on behalf of participating members.

ACWA/JPIA retains the following self-insured retention ("SIR"):

Liability Program	\$ 500,000
Property Program	\$ 10,000

AROMAS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2008 and 2007

14. RISK MANAGEMENT (Continued):

The following insurance coverage information is presented with maximum policy limits:

Property (ACWA/JPLA):

All risks excluding earthquake and flood.

All Real and Personal Property:

	Amount
Buildings	\$ 230,528
Fixed Equipment	\$ 1,566,372
Personal Property	\$ 89,576
Mobile Equipment	\$ 5,000
Vehicles	\$ 53,947
Expense to Restore Valuable Papers	\$ 100,000
Extra Expense	\$ 100,000
Accounts Receivable	\$ 100,000
Loss on Earnings	\$ 100,000
Loss on Rents	\$ 100,000
Vehicles Garaged on District Premises - Catastrophic Coverage	\$ 100,000

Deductibles: Buildings, Personal Property, Fixed Equipment and Catastrophic coverage \$1,000, Mobile Equipment \$1,000 and Vehicles \$500.

Liability (ACWA/JPLA):

Comprehensive General - Bodily Injury and Property Damage, Per Occurrence	\$ 40,000,000
Comprehensive Automobile - Bodily Injury and Property Damage, Per Occurrence	\$ 40,000,000

Automobile:

Automobile Liability, Per Occurrence	\$ 1,000,000
Uninsured Motorist	\$ -

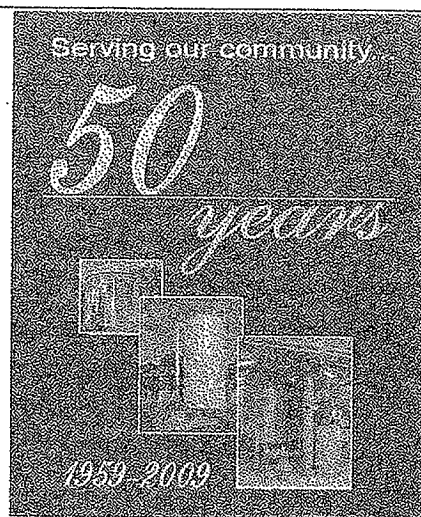
Workers' Compensation:

State Compensation Insurance Fund	Statutory
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AROMAS WATER DISTRICT
BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2008

	Actual 2008	Revised Budgeted 2008	Difference	Original Budgeted 2008
OPERATING REVENUES:				
Water Revenue	\$ 722,901	\$ 680,000	\$ 42,901	\$ 690,000
Bulk Water	2,854	2,500	354	1,600
TOTAL OPERATING REVENUES	<u>725,755</u>	<u>682,500</u>	<u>43,255</u>	<u>691,600</u>
OPERATING EXPENSES:				
Salaries	322,314	344,000	21,686	353,800
Payroll Taxes	26,094	26,019	(75)	25,644
Retirement Benefits - PERS	23,856	24,500	644	24,500
Power	71,713	67,725	(3,988)	72,032
Repairs & Maintenance	40,892	40,000	(892)	36,000
Outside Services	1,887	1,800	(87)	1,800
Truck Expense	16,420	15,000	(1,420)	11,600
Telemetry	3,421	4,200	779	4,200
Depreciation	234,588	72,000	(162,588)	72,000
Amortization	1,900		(1,900)	
Engineering		1,000	1,000	1,000
Annexation/EIR/Planning	7,800	6,000	(1,800)	12,000
Water Analysis and Treatment	25,475	20,000	(5,475)	19,000
Tools	2,316	2,400	84	2,400
Insurance	74,020	81,600	7,580	78,600
Office	13,074	13,600	526	13,600
Telephone	7,570	7,880	310	7,880
Accounting	5,250	5,345	95	5,345
Legal	9,891	10,400	509	11,400
Litigation Contingencies		10,000	10,000	10,000
Bad Debts		480	480	480
Miscellaneous	2,647	2,700	53	2,700
Memberships	6,657	7,500	843	7,200
Education	1,202	4,700	3,498	4,700
Rent	17,631	22,428	4,797	22,428
TOTAL OPERATING EXPENSES	<u>916,618</u>	<u>791,277</u>	<u>(125,341)</u>	<u>800,309</u>
OPERATING LOSS	(190,863)	(108,777)	(82,086)	(108,709)
NON-OPERATING REVENUES (EXPENSES):				
Connection and Meter Installations	107,712	106,000	1,712	106,000
Property Tax	68,808	64,000	4,808	64,000
Interest Income	51,505	45,000	6,505	55,000
Interest Expense	(29,420)	(48,030)	18,610	(84,550)
Miscellaneous Income	2,717	18,000	(15,283)	3,600
NET NON-OPERATING REVENUES	<u>201,322</u>	<u>184,970</u>	<u>16,352</u>	<u>144,050</u>
NET INCOME (LOSS)	<u>\$ 10,459</u>	<u>\$ 76,193</u>	<u>\$ (65,734)</u>	<u>\$ 35,341</u>



Annual Water Quality Report

2008

(Prepared June 2009)

Este informe contiene información muy importante sobre su agua potable. Tradúzcalo o hable con alguien que lo entienda bien.

This report gives you information on the Aromas Water District water quality monitoring done during the year 2008. It includes details about where your water comes from, what it contains, and how it compares to State Standards. Our constant goal is to provide you with a safe and dependable supply of drinking water. We are pleased to report that our water has, again, met all primary drinking water standards. We test our water quality for many constituents as required by State and Federal Regulations. This report shows the results of our testing for the period of January 1 - December 31, 2008.

Note: For those samples which the district is allowed to monitor less often than once a year, the most recent testing has been used.

Contacting Your Water District

387 Blohm Avenue Phone: (831) 726-3155 Fax: (831) 726-3951

Mail: PO Box 388 Aromas, 95004 or email aromaswd@aol.com

Regularly scheduled Board meetings for public participation are held the Fourth Tuesday of every month, at 7:00 p.m. at the District Office.

Office hours are Monday, Wednesday, and Friday 9:00am to 5:00pm.

In case of an after-hours emergency, we have a 24-hour answering service available by following the directions in our voice message. More information is available on our Website. It contains Board Agendas and Minutes, Water Quality Information, Conservation Tips and much more: www.aromaswaterdistrict.org

Letter from the Board:

As President of the Board of Directors for Aromas Water District, I'm happy to report a successful year in many areas.

First, and most importantly, we have a great long-awaited filtration system, filtering water from our two main water sources. This water is used by all customers and quality complaints have dropped from 10 to 20 a month to 0 to 1.

Second, as important as the first, we have a new General Manager with lots of energy, taking on multi tasks never seen before. This is a long, long, time employee, Vicki Morris. She has well worked her way to this position. It seems our staff has smiling faces and is working well together and that means efficiency.

Third, we now own a piece of real estate next to the Fire Station on Carpenteria. We are planning to build a new office for the Water District and are very excited to say an office will be leased to three counties together to house a sheriff substation to better serve our community.

Fourth, our long time old redwood Rea tank is being replaced with a bolted steel tank. It will be cost effective for our District, won't leak and will hold more than twice the water....great for reserve and demand.

There we have four great new beginnings with an efficient office and field crew.

Can't wait to see all of you at our next meeting.

Thank you,

Marcus Dutra, Aromas Water District Board President

General Manager's Corner:

What a great year for Aromas Water District! We are proud to serve quality water, which consistently meets all State standards for health and safety. This year, 2009, commemorates 50 years serving water to our small community. This municipal system began in 1959 with less than 100 connections; today there are 878 households and businesses.

The long awaited iron and manganese removal plant went into operation in September 2008 and has greatly improved the aesthetics of our water. The District's three wells have easily met the community's water supply needs without interruption.

The largest strength of the District is the staff, there are three full time and three part time dedicated employees representing 44 combined years of service to the Aromas Water District. We are available 24 hours a day to meet your needs.

We continue to have many goals to accomplish; replacing old infrastructure is the priority, being energy conscious and technologically current maintains efficiency. We continue to build reserves to cover these costs as they arise while managing the assets conservatively in these difficult economic times. This is your community water system; we appreciate any and all of your suggestions and comments. Thank you for the opportunity to serve.

Vicki Morris, General Manager

2008 WATER SOURCES USED:

Your water comes from 3 Ground Water Wells named and located as follows:

The Pleasant Acres Well provided .165% of total water production in 2008, This well is located north of San Juan Road.

The San Juan Well provided 99.8% of total water production in 2008. This well is located south of San Juan Road.

The Carpenteria Well provided .035% of total water production in 2008. It is located east of Carpenteria Road.

TERMS USED IN THIS REPORT:

MCL (Maximum Contaminant Level): The highest level of a contaminant that is allowed in drinking water. Primary MCLs are set as close to the PHGs (or MCLGs) as is economically and technologically feasible. Secondary MCLs are set to protect the odor, taste, and appearance of drinking water.

MCLG (Maximum Contaminant Level Goal): The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs are set by the U.S. Environmental Protection Agency (USEPA).

PHG (Public Health Goal): The level of a contaminant in drinking water below which there is no known or expected risk to health. PHGs are set by the California Environmental Protection Agency.

AL (Action Level): The concentration of a contaminant which, if exceeded, triggers treatment or other requirements that a water system must follow.

PDWS (Primary Drinking Water Standards): MCLs for contaminants that affect health along with their monitoring and reporting requirements, and water treatment requirements.

SDWS (Secondary Drinking Water Standards): MCLs for contaminants that affect taste, odor, or appearance of the drinking water. Contaminants with SDWSs do not affect health at the MCL levels.

MRDL (Maximum Residual Disinfectant Level) The level of a disinfectant added for water treatment that may not be exceeded at the consumer's tap.

MRDLG (Maximum Residual Disinfectant Level Goal) The level of a disinfectant added for water treatment below which there is no known or expected risk to health. MRDLGs are set by the United States Environmental Protection Agency.

NA: Not Applicable in this situation.

ND: Not detectable at testing limit

ppm: parts per million or milligrams per liter (mg/L)

ppb: part per billion or micrograms per liter (ug/L)

The sources of drinking water (both tap water and bottled water) include rivers, lakes, streams, reservoirs, ponds, springs, and wells. As water travels over the surface of the land or through the ground, it dissolves naturally occurring minerals and, in some cases, radioactive material, and can pick up substances resulting from the presence of animals or from human activity.

Contaminants that may be present in source water include:

- *Microbial contaminants*, such as viruses and bacteria, which may come from sewage treatment plants, septic systems, agricultural livestock operations, and wildlife.
- *Inorganic contaminants*, such as salts and metals that can be naturally-occurring or result from urban stormwater runoff, industrial or domestic wastewater discharges, oil and gas production, mining, or farming.
- *Pesticides and herbicides*, that may come from a variety of sources such as agriculture, urban stormwater runoff, and residential uses.
- *Organic chemical contaminants*, including synthetic and volatile organic chemicals that are byproducts of industrial processes and petroleum production, and can also come from gas stations, urban stormwater runoff, agricultural applications, and septic systems.
- *Radioactive contaminants*, that can be naturally occurring or be the result of oil and gas production and mining activities.

In order to ensure that tap water is safe to drink, the U.S. Environmental Protection Agency (USEPA) and the California Department of Public Health (Department) prescribe regulations that limit the amount of certain contaminants in water provided by public water systems. Department regulations also establish limits for contaminants in bottled water that must provide the same protection for public health.

The following tables list all of the drinking water contaminants that were detected during the most recent sampling for the constituent. The presence of these constituents in the water does not necessarily indicate that the water poses a health risk. The Department requires us to monitor for certain contaminants less than once per year because the concentrations of them are not expected to vary significantly from year to year. Therefore, some of the data is more than one year old, but representative of the water quality.

TABLE 1 - SAMPLING RESULTS SHOWING THE DETECTION OF COLIFORM BACTERIA

Microbiological Contaminants	Highest No. of detections	No. of months in violation	MCL	MCLG	Typical Source of Bacteria
Total Coliform Bacteria	(In a mo.) 0	0	More than 1 sample in a month with a detection	0	Naturally present in the environment
Fecal Coliform or <i>E. coli</i>	(In 2008) 0	0	A routine sample & repeat sample detect total coliform & either sample also detects fecal coliform or <i>E. coli</i>	0	Human and animal fecal waste

TABLE 2 - RESULTS OF CONSUMER TAP SAMPLING TO SHOW DETECTION OF LEAD OR COPPER

Lead and Copper (to be completed only if there was a detection of lead or copper in the last sample set)	Number of sites sampled	90 th percentile level detected	Number of Sites exceeding AL	AL	PHG	Typical Source of Contaminant
Lead (ppb)	10	0	0	15	2	Internal corrosion of household water plumbing systems; discharges from industrial manufacturers; erosion of natural deposits.
Copper (ppm)	10	0.6	0	1.3	0.17	Internal corrosion of household water plumbing systems; erosion of natural deposits; leaching from wood preservatives.

TABLE 3 - SAMPLING RESULTS WITH ADDITIONAL WATER QUALITY INFORMATION

Chemical or Constituent (and reporting units)	Latest Sample Date	Level Detected	Range of Detections	MCL	PHG (MCLG)	Typical Source of Contaminant
Sodium (ppm)	4/2/08	88	48-88	none	none	Generally found in ground and surface water
Hardness (ppm)	4/2/08	113	113-149	none	none	Generally found in ground and surface water
pH (laboratory units)	4/2/08	7.8	7.5-8.1	none	none	

TABLE 4 - DETECTION OF CONTAMINANTS WITH A PRIMARY DRINKING WATER STANDARD

Chemical or Constituent (and reporting units)	Latest Sample Date	Level Detected	Range of Detections	MCL	PHG (MCLG)	Typical Source of Contaminant
Gross Alpha Activity (pCi/L)	12/28/06	0.486	ND-1.7	15	NA (NA)	Erosion of natural deposits
Fluoride (ppm)	4/2/08	0.24	0.22-0.24	2	1 (NA)	Erosion of natural deposits; water additive which promotes strong teeth; discharge from fertilizer and aluminum factories
Nitrate (ppm)	7/30/08	0	ND-6	45 (as nitrate)	45 (as NO ₃)	Runoff and leaching from fertilizer use; leaching from septic tanks and sewage; erosion of natural deposits

TABLE 4 (CONTINUED) - DETECTION OF CONTAMINANTS WITH A PRIMARY DRINKING WATER STANDARD

Chemical or Constituent (and reporting units)	Sample Date	Level Detected	Range of Detections	MCL	PHG (MCLG)	Typical Source of Contaminant
Arsenic (ppb)	7/30/08	3	2-3	10	.004 (NA)	Erosion of natural deposits; runoff from orchards; glass and electronics production wastes
Barium (ppm)	7/30/08	0.146	.075-0.146	1	2 (NA)	Discharges of oil drilling wastes & from metal refineries; erosion of natural deposits
Radium 228 (pCi/L)	1/22/07 Average of qtrly testing	NA	ND-0.583	5	NA (0)	Erosion of natural deposits

TABLE 5 - DETECTION OF CONTAMINANTS WITH A SECONDARY DRINKING WATER STANDARD

Iron (ppb)	7/30/08	0	ND-518*	300	NA	Leaching from natural deposits; industrial wastes
Manganese (ppb)	11/26/08	132*	ND-213	50	NA	Leaching from natural deposits
Turbidity (units)	12/29/06	0.85	0.05-14	5	NA	Turbidity is a measure of the cloudiness of the water. We monitor it because it is a good indicator of water quality. High turbidity can hinder the effectiveness of disinfectants
Total Dissolved Solids [TDS] (ppm)	4/2/08	369	280-369	1000	NA	Runoff/leaching from natural deposits
Specific Conductance (micromhos)	9/3/08	650	510-660	1600	NA	Substances that form ions when in water; seawater influence
Chloride (ppm)	4/2/08	72	33-72	500	NA	Runoff/leaching from natural deposits; seawater influence
Sulfate (ppm)	4/2/08	5	5-8	500	NA	Runoff/leaching from natural deposits' industrial wastes

TABLE 6 - DISINFECTION BY-PRODUCTS: DISTRIBUTION SYSTEM RESULTS

TTHMs (ppb) [total trihalomethanes]	7/9/08	13	ND-13	80	NA	By-product of drinking water chlorination
HAA5 (ppb) [Haloacetic Acids]	7/3/07	1.3	ND-1.3	60	NA	By-product of drinking water disinfection.
Chlorine (ppm)	Daily	0.66 Running Annual Average	0.34-1.3	MRDL 4.0	NA	Drinking Water disinfectant added for treatment

Any violation of an MCL or AL is asterisked. Additional information regarding the violation is provided below:

* Manganese and Iron were found at levels that exceed the secondary MCL of 50 ppb and 300 ppb, respectively.

These MCLs were set to protect you against unpleasant aesthetic effects such as color, taste, odor and the staining of plumbing fixtures (e.g., tubs and sinks), and clothing while washing. The high manganese and iron levels are due to leaching of natural deposits.

Good news! As of September 2008, our new treatment facility began removing manganese and iron to non-detectable levels.

Aromas Water District Averages

2008 Water Production = 135,380,000 gallons for 878 households and businesses

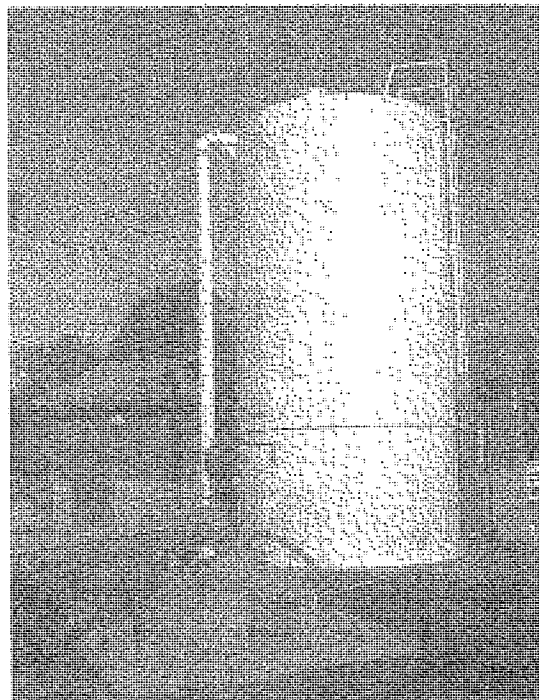
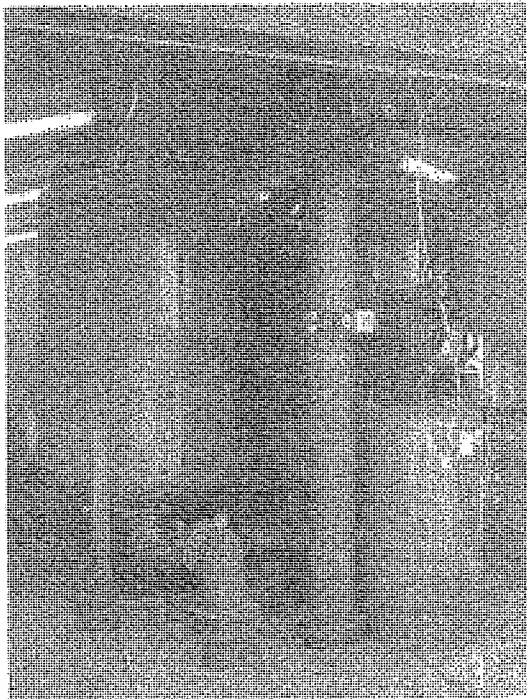
February was the lowest month = 5,550,000 gallons

August was the highest month = 16,040,000 gallons

Average Single-family residence usage per month in:

February- 693 cubic feet (5,183 gallons)

August- 2,018 cubic feet (15,096 gallons)



In 2008, the new Aromas Water District Iron and Manganese Removal Filtration Plant became operational. The treatment has greatly improved the aesthetics of our water!

Outdoor Conservation Tips: For most of our customers, the majority of summer water consumption goes into outdoor uses. Here are some great ways to save water and money.

1. Watering your yard only before 8 a.m. to reduce evaporation and interference from wind can save 25 gallons per day.
2. Installing a smart sprinkler controller can save 40 gallons per day.
3. If you use a broom instead of a hose to clean driveways and sidewalks, you can save 150 gallons each time.
4. Checking your sprinkler system for leaks, overspray and broken sprinkler heads can save 500 gallons a month.
5. Mulch! Save hundreds of gallons a year by using organic mulch around plants to reduce evaporation.
6. Plant flowers/trees/bushes that require less watering. Select plants that are appropriate for your local climate conditions.*
7. Use a shut-off nozzle on your hose.
8. Raise the lawn mower blade to at least three inches. A higher cut encourages grass roots to grow deeper, shades the root system and holds soil moisture better than a closely-clipped lawn.
9. Collect water from your roof to water your garden.

*A list of drought tolerant plants is available at the District office, or on our website:
aromaswaterdistrict.org

Frequently Asked Questions

Is Fluoride added to our drinking water?

No, fluoride is not added to the District's supply. However, fluoride does occur naturally and is present in our water supply up to 0.24 ppm, far below the maximum limit of 2.00 ppm.

Is there MTBE, Freon, Chromium VI, or Perchlorate in the water?

No, these constituents are absent from the Aromas Water District water. They are not listed in the tables because no detection has been made. The District will continue to monitor for them, however.

How hard is our water?

Water hardness is dissolved minerals such as calcium and magnesium and occurs naturally in our water supply. There are no distinctly defined levels of what constitutes hard or soft water. Typically, if the amount of dissolved Calcium Carbonate is above 130 ppm or 8 grains per gallon, water is considered hard and can cause scale to build up in pipes, on faucets, and leave white spots on dishware. The District's water hardness ranges from 113 to 149 ppm.

Why does my water smell bad sometimes?

A few customers experience a sulfur or rotten-egg odor in the pipes within their own water system, a reaction commonly occurring in groundwater of the Aromas area. It is caused by the conversion of hydrogen sulfate to hydrogen sulfide (non-toxic in the small amounts typical here). If letting the water flush for a few seconds does not make the smell go away, the District office has several suggestions that may help you remedy the odor.

How is my meter read and maintained?

Aromas Water District personnel read every meter every month. This is the basis for your water bill. Maintenance is done by District personnel for any problems that occur on the District side of the meter (including the meter). Service personnel must have a 3-foot wide by 6-foot-high unobstructed path to access the water meter. This is a condition of service and, if necessary, access will be made by the District if "Request to Clear" notices are ignored by the customer. The customer is responsible for all repairs necessary to their side of the meter. This includes the service line to the house, landscape pipes, pressure boosters or pressure reducers. It is recommended you check these items regularly to avoid leaks and expense. Please make sure that you have a shutoff valve near the beginning of your system for repairs and emergencies. If your system is equipped with a Pressure Booster Pump, please call the District office for additional information that will be helpful to you.

How can I check my water usage?

It is important that you know how to read your meter to understand how much water you are using. You will probably find your meter in the front or side property line of your home or business, in the ground, surrounded by a concrete box and covered with a concrete or hard green plastic lid. There are several different types of water meters in the Aromas Water District. A District representative is only a phone call away, so please don't hesitate to ask for assistance in locating your water meter or learning to read your meter.

How do I check for a small leak?

Make sure all faucets and water-using appliances in and around your home are off. Locate your water meter and make a note of the reading. Don't use any water for about an hour and then go back and recheck the reading at the meter. If it has changed, you have a leak or leaks. Check for moisture or wet spots under sinks, around toilets or in other areas where leaks might occur. Look for green areas outside. Check under your house. We have free dye tablets to determine if you have a leak in your toilet.

California Water Fact: Groundwater provides about 40% of the state's water supply. In dry years, that percentage can go as high as 60%.

Additional General Information On Drinking Water

All drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that the water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the USEPA's Safe Drinking Water Hotline (1-800-426-4791). Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. USEPA/Centers for Disease Control (CDC) guidelines on appropriate means to lessen the risk of infection by *Cryptosporidium* and other microbial contaminants are available from the Safe Drinking Water Hotline (1-800-426-4791).

Source Water Assessment

Assessments of the drinking water sources for the District were completed in 2002. A source water assessment lists possible contaminating activities that might affect the quality of your water sources. The assessment also identifies the susceptibility of the District's drinking water wells to identified contamination threats.

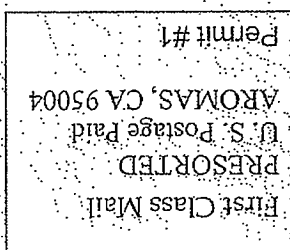
A study of the aquifer feeding the Pleasant Acres Well identifies residential septic systems, other animal operations, and agricultural irrigation as the greatest threat to the District's drinking water. A study of the aquifer feeding the Carpenteria Well identifies residential septic systems as the greatest threat to the District's drinking water. The San Juan Well is in the same aquifer and in close proximity to the Pleasant Acres Well and, therefore, has the same threats.

Copies of the Executive Summary for each assessment are available free-of-charge at the District office. The full reports are available upon request or can be viewed at the District's office located at 387 Blohm Ave., Aromas. For information about these Source Water Assessments, or your water quality in general, please contact the District at (831) 726-3155 or visit our web site at www.aromaswaterdistrict.org.

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2008 Water Quality Report

Important information about your water enclosed!



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