

EXHIBIT 2-B

March 22, 2005

The Honorable Terrance R. Duncan
2004 Presiding Judge of the Superior Court
County of Monterey
240 Church Street, North Wing, Room 318
Salinas, California 93901

Dear Judge Duncan:

We respectfully present this response to the 2004 Grand Jury Report as it relates to the Rippling River Public Housing Facility and the involvement of the Monterey Peninsula Water Management District. The District respectfully disagrees in part with Findings 2 and 3.

Grand Jury Finding 2: The Housing Authority has a plan that it is following toward replacement of Rippling River and has taken the following steps:

- ***The Housing Authority has asked to be placed on the Monterey Peninsula Water Management Board's agenda. That is the first action that needs to be taken before it can determine the feasibility of a replacement site. The Housing Authority will then go before the Board of Supervisors with its proposal.***
- ***The Housing Authority is pursuing an Environmental Impact Report (EIR) and is attempting to get it before the Monterey Peninsula Water Management District Board. Concurrent with this action has been HUD's action to get the U.S. Army Corps of Engineers out to the site for an inspection and assessment. Depending on the scope of work that they have been give by HUD, this report should be useful in proceeding to the next steps.***

Grand Jury Finding 3: The Monterey Peninsula Water Management Board has refused, in spite of several requests, to grant the Housing Authority a hearing.

The District received a request dated May 19, 2004 from Starla Warren, Director of Development for the Housing Authority of Monterey County, asking the Board of Directors "to consider adoption of a cooperation agreement and to determine whether the water resources at the existing Rippling River site may be relocated along with the residents to their proposed new home at the former Carmel Valley Airport site." The District responded on June 14, 2004.

The District's response (copy enclosed) indicated that "Water Use Credits may only be transferred from an existing commercial use (e.g. non-residential) to an expanding commercial use or to the jurisdiction's water allocation. Rippling River is a residential project and is ineligible to transfer Water Use Credits without a change in District law." The response also discussed the fact that there is no longer a District Reserve Allocation of water for community benefit projects, and that the District Reserve had been eliminated at the jurisdictions' request and the water evenly distributed to the jurisdictions. The District urged the Housing Authority to discuss its water needs with the Monterey County Water Resources Agency and with the

Monterey County Planning and Building Inspection Department, as the jurisdictions are now the appropriate gatekeepers for water for a community benefit project.

The Housing Authority sent subsequent correspondence to the District requesting Board consideration of a "waiver" from the ordinance that prohibits water transfers. The Housing Authority's request was discussed with the District's Chair and Vice Chair on August 31, 2004. As a result of that meeting, the Housing Authority was informed that an action item to discuss modifications to the water credit transfer process was scheduled for consideration on September 20, 2004. The District stated that public comments would be received on the subject. No comments were received from the Housing Authority regarding changes to the water credit transfer process.

It is the District's opinion that the Housing Authority needs to address the water availability issue with the proper County channels prior to involvement by the District. The County, as the gatekeeper of its water allocation, has the authority to authorize water for the Rippling River project. The District does not have water to allocate.

Grand Jury Recommendation 5: County Authorities should assist the Housing Authority in every way possible, in finding sources for funds to refurbish or replace the current facility.

Recommendation 5 has been implemented. The District will assist the Housing Authority in reducing project costs by providing a reduced connection charge fee (50 percent reduction) for "affordable" housing and a connection charge fee exemption for "low-income" housing. Should the Housing Authority pursue increasing the number of dwelling units at the current site or construct a new facility within the jurisdiction of the District, the connection charge fees will be reduced for any portion of the project that meets the definition of affordable housing.

Grand Jury Recommendation 8: The Monterey County Water Board Management should grant the Housing Authority a hearing.

Recommendation 8 will not be implemented because it is not warranted or is not reasonable. District law does not allow a "waiver" from the rule that prohibits residential water credit transfers. A hearing before the Board on this matter would not provide a route to resolution of the issue. A change to the Districts rules would be necessary (via adoption of a new ordinance) to allow residential water credit transfers.

Thank you for the opportunity to respond.

Sincerely,

Larry Foy
Chair, MPWMD Board of Directors

cc: County Administrative Officer



MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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June 14, 2004

Ms. Starla Warren, Director of Housing Development
Housing Authority of the County of Monterey
123 Rico Street
Salinas, California 93907

Subject: Rippling River, Carmel Valley

Dear Ms. Warren:

This letter responds to the Housing Authority's May 19, 2004 letter to the District regarding a determination as to whether the water resources at the existing Rippling River site may be relocated along with the residents to their proposed new home at the former Carmel Valley Airport site.

The District responded to the Notice of Preparation of a Draft EIR/EA for Rippling River Relocation and Demolition Project on May 14, 2004. A copy is enclosed for your convenience. In the enclosed response, the District states that Water Use Credits may only be transferred from an existing commercial use (e.g. non-residential) to an expanding commercial use or to a jurisdiction's water allocation. Rippling River is a residential project and is ineligible to transfer Water Use Credits without a change in District law.

Unfortunately, there is no longer a District Reserve Allocation available for community benefit projects. On February 23, 1995, the District's Board of Directors adopted Ordinance No. 73 repealing the District Reserve Allocation. With that action, the District Reserve was eliminated and the remaining uncommitted portion of the allocation was evenly distributed to the jurisdictions.

The District urges you to further discuss your water needs with the Monterey County Water Resources Agency and with the Monterey County Planning and Building Inspection Department. The Monterey County Water Resources Agency manages the County's water allocation. Regrettably, water that once was available to community benefit projects is no longer in an allocation controlled by the District. This action was taken at the request of the jurisdictions. Since the remaining District Reserve Allocation was split among the jurisdictions, the jurisdictions are now the appropriate gatekeepers for a request for water for a community benefit project.

Sincerely yours,

A handwritten signature in cursive script that reads "Fran Farina".

Fran Farina
General Manager

cc: Director Potter