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BEFORE THE BOARD OF THE
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

**IN THE MATTER OF THE HEARING
ON APPARENT INSUFFICIENT
PHYSICAL SUPPLIES TO SERVE
RYAN RANCH WATER DISTRIBUTION
SYSTEM AND DETERMINATION AS
TO WHETHER AND TO WHAT
EXTENT, SYSTEM CAPACITY AND/OR
EXPANSION CAPACITY LIMITS
SHOULD BE MODIFIED (CALIFORNIA
AMERICAN WATER RYAN RANCH
UNIT)**

**TESTIMONY OF STEVEN J. PACKER,
M.D., COMMUNITY HOSPITAL OF
THE MONTEREY PENINSULA**

Hearing Date: January 21, 2009 (continued to
February 18, 2009)

I, Steven J. Packer, M.D., provide following prepared testimony under penalty of perjury in relation in the matter of the Monterey Peninsula Water Management District's proceeding to determine whether to modify the System Capacity and/or Expansion Capacity Limits of the Ryan Ranch Water Distribution System.

Q1. Please state your name and occupation.

1. My name is Steven J. Packer, M.D. I am employed by Community Hospital of the Monterey Peninsula ("Hospital") as its President and Chief Executive Officer. I have been employed by the Hospital in my current position for the last 10 years.

Q2. Please briefly describe the process that led to the Hospital acquiring property in Ryan Ranch.

2. In the late 1990s, Community Hospital of the Monterey Peninsula engaged in a long range planning process for the development of additional medical and health care facilities at other locations to complement the acute care facilities and other services provided at its main

1 Hospital campus. The Hospital's mission statement describes the Hospital's dedication "to
2 identifying and meeting the changing healthcare needs of the people of the Monterey Peninsula
3 and surrounding communities," its commitment "to providing high-quality services at a
4 competitive cost and within a safe environment, and its goal of providing "educational and public
5 service programs to enhance the health of our community and the competence of those who
6 provide the service." Consistent with this mission, the goals of this planning process were to
7 identify and develop the types of facilities and services necessary to serve the anticipated
8 changing demographics of the population served by the Hospital, most notably the aging "baby
9 boomer" population. These goals also included the consolidation of certain Hospital services in a
10 single location and development of a center for wellness training and education. As a result of
11 this planning process, the Hospital acquired a 21.2 acre parcel in Ryan Ranch for development of
12 its Ryan Ranch Outpatient Campus.

13 **Q. 3 Why did the Hospital choose the Ryan Ranch location for development of its Ryan**
14 **Ranch Outpatient Campus?**

15 3. There were several reasons the Hospital chose this location. First and foremost
16 was the availability of water service. At the time the Hospital decided to acquire its Ryan Ranch
17 property, there was very little water available under the water allocation program of the Monterey
18 Peninsula Water Management District ("MPWMD") for development in most areas of the
19 California American Water Company service area on the Monterey Peninsula. However, the
20 Ryan Ranch Water distribution was not subject to those constraints. It was the Hospital's
21 understanding when it acquired the Ryan Ranch property that MPWMD had previously
22 determined sufficient water was available to serve anticipated development at Ryan Ranch and
23 that in 1989 MPWMD had set the annual production limit for the Ryan Ranch Water Distribution
24 System at 175 acre-feet per year, which was sufficiently high to allow service of all anticipated
25 development in Ryan Ranch for the foreseeable future. The Hospital relied on these MPWMD
26 determinations when it acquired its Ryan Ranch property. Other considerations that led the
27 Hospital to acquire the Ryan Ranch property included proximity to the Hospital, proximity to
28 Highway 1 and Highway 68, proximity to future Fort Ord development, and the availability of

1 parking.

2 **Q. 4 What approvals have been granted for development of the Ryan Ranch Outpatient**
3 **Campus?**

4 4. In November of 2002, the City Council of the City of Monterey granted the
5 necessary approvals for the subdivision of the Hospital's Ryan Ranch property into 4 parcels
6 (Parcels 1-4) plus a fifth common area/open space parcel (Parcel 5). The City also approved a
7 planned unit development consisting of medical office buildings on Parcels 1 through 4 and
8 parking and infrastructure on Parcel 5. The City approved development of a 99,435 square foot
9 2-story office building on Parcel 1, a 21,000 square foot 2-story office building on Parcel 2, a
10 50,726 square foot 2-story office building on Parcel 3, and a 58,839 square foot 2-story office
11 building on Parcel 4. The City subsequently approved a final subdivision map for the Ryan
12 Ranch property, which was recorded on November 1, 2004, in Volume 22 Cities and Towns at
13 Page 65, Official Records of Monterey County, California.

14 **Q. 5 What development has taken place at the Hospital's Ryan Ranch Outpatient**
15 **Campus?**

16 5. The first phase of construction on parcel 1 consisting of approximately 40,000
17 square feet of office space has been completed. A medical office building consisting of
18 approximately 41,000 square feet of office space has been completed on Parcel 3. The buildings
19 on Parcels 1 and 3 are fully occupied. In addition, some of the infrastructure necessary to
20 ultimately serve full build out of Parcels 1 through 4 has been constructed on the common
21 area/open space parcel (Parcel 5), including but not limited to parking, sidewalks, and heating and
22 cooling facilities. MPWMD has issued water permits for this existing development. The Ryan
23 Ranch Outpatient Campus opened in July of 2004. Existing facilities include the Hospital's Sleep
24 Disorders Center, Diabetes & Nutrition Therapy programs, Community Imaging Center, a
25 satellite lab, the Community Health and Hospice Resource Center, doctor's offices, ambulatory
26 surgery center, health education classrooms, and administrative offices for the Hospital's hospice
27 programs. To date, the Hospital has spent more than \$30 million on the planning, acquisition,
28 and development of its Ryan Ranch Outpatient Campus.

1 **Q. 6 What development is proposed for the future at the Hospital's Ryan Ranch**
2 **Outpatient Campus?**

3 6. Parcels 2 and 4 are currently vacant. Parcel 2 is approved for a 21,000 square foot
4 2 story building and Parcel 4 is approved for an approximately 60,000 square foot 2 story
5 building. In addition, a second 2 story building of approximately 58,000 square feet of office
6 space is proposed for Parcel 1. These buildings are in various stages of planning and design. The
7 plans for the building on Parcel 4 are currently undergoing review by the City of Monterey.
8 California American Water Company issued a "will serve" letter for this parcel in 2007.

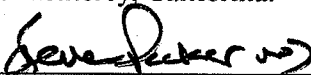
9 **Q. 7 What would be the impact on the Hospital of a significant reduction of the annual**
10 **production capacity for the Ryan Ranch Water Distribution System.**

11 7. As a nonprofit entity, the Hospital serves as a steward of the community's fiscal
12 resources for the goal of providing acute care and ancillary medical and health care services to
13 residents of the Peninsula. The Hospital takes its responsibilities very seriously and works
14 diligently to use those resources wisely and efficiently. The Hospital's planning and timing
15 decisions are, as they should be, based on the changing health care needs of the community,
16 developments in medical treatments and technologies, and fiscally prudent use of the Hospitals'
17 resources. If MPWMD were to reduce the maximum amount of water that can be produced in the
18 Ryan Ranch system from 175 to 72 AFY, this would result in a moratorium on any further
19 development in Ryan Ranch and could render the Hospital's two vacant parcels undevelopable.
20 Such an action would adversely affect the Hospital and the community it serves in several
21 important ways. First, it would prevent the Hospital from achieving its planning goals for its
22 Ryan Ranch Outpatient Campus. Second, it would prevent the planned and approved build out of
23 Parcel 1 with an additional 58,000 square foot building and would therefore significantly reduce
24 the economic value of Parcel 1. Third, it would prevent any development on Parcels 2 and 4 and
25 would therefore deprive the Hospital of any economic use of those parcels. Finally, it would
26 significantly diminish the value of the investment made by the community, through the Hospital,
27 in the Ryan Ranch Outpatient Campus and would therefore have a significant adverse economic
28 impact on the Hospital.

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I declare under penalty of perjury that the foregoing is true and correct, except as to those matters stated on my information and belief, and as to those matter I believe them to be true.

Executed on this 17th day of February, 2009 at Monterey, California.



Steven J. Packer, M.D.