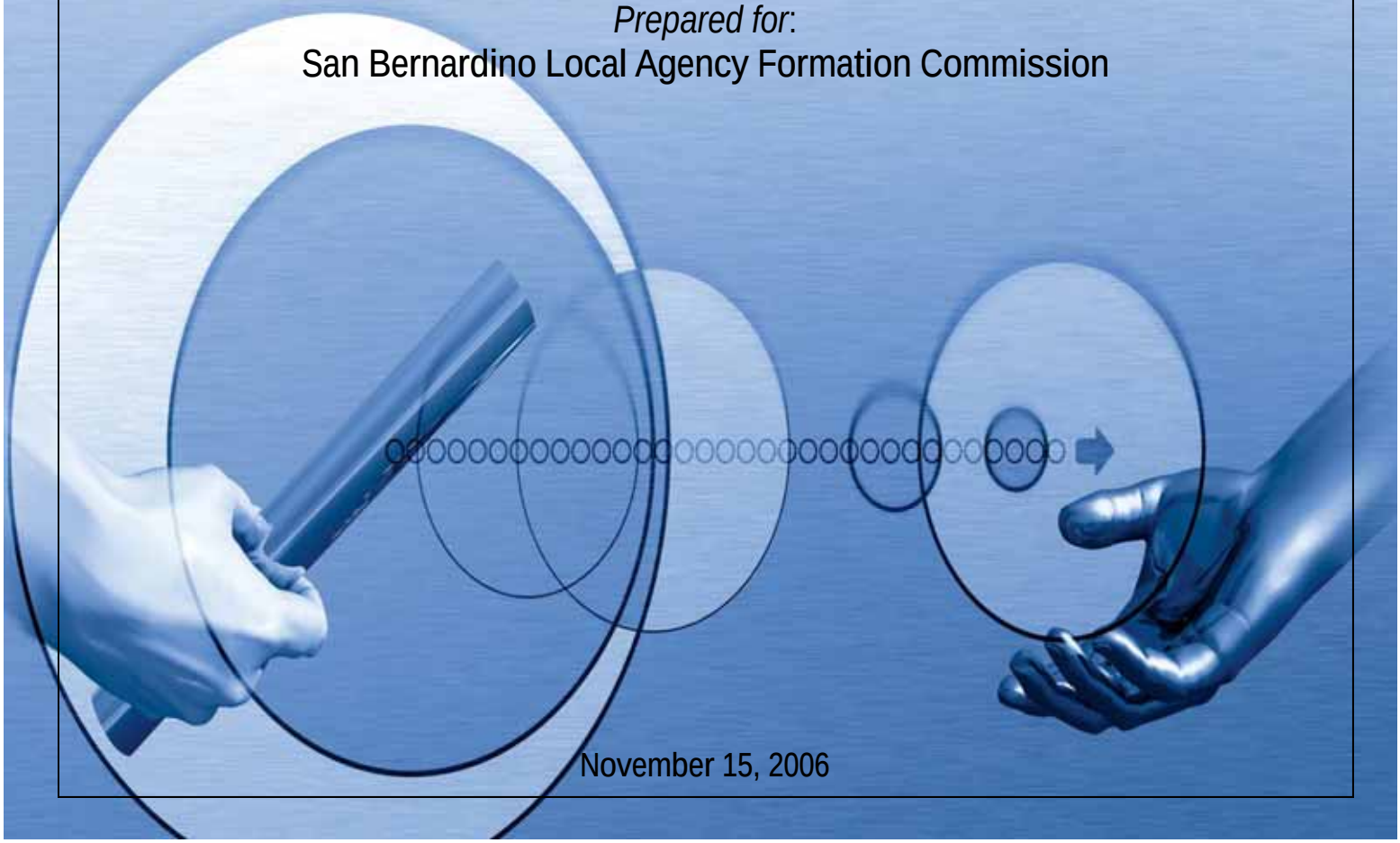
SUBMITTED

PLAN FOR SERVICE

Proposed Consolidation
of the
San Bernardino Valley Water Conservation District
and the
San Bernardino Valley Municipal Water District

Prepared for:
San Bernardino Local Agency Formation Commission



November 15, 2006

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November 15, 2006

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ACRONYMS and ABBREVIATIONS

AF	Acre Feet
Bear Valley	Bear Valley Mutual Water Company
Big Bear	Big Bear Municipal Water District
BLM	Bureau of Land Management
CEQA	California Environmental Quality Act
CFS	Cubic feet per second
DWR	California Department of Water Resources
HCP	Habitat Conservation Plan
ICGMP	Institutional Controls Groundwater Management Program
IMPDPA	Integrated Management Program Demonstration Project Agreement
IRGMP	Integrated Regional Groundwater Management Plan
LAFCO	Local Agency Formation Commission
MOU	Memorandum of Understanding
NEPA	National Environmental Policy Act
PERS	Public Employees' Retirement System
RPUD	Riverside Public Utilities Department
SBBA	San Bernardino Basin Area (Bunker Hill Basin and Lytle Basin as defined in 1969 Western Judgment)
SBCFCD	San Bernardino County Flood Control District
Valley District	San Bernardino Valley Municipal Water District
Conservation District	San Bernardino Valley Water Conservation District
SOI	Sphere of Influence
SWP	State Water Project
SWRCB	State Water Resources Control Board
WMWD	Western Municipal Water District of Riverside County

CERTIFICATION OF PLAN FOR SERVICE

I hereby certify that the facts, statements and information presented in this Plan for Service are true and correct to the best of my knowledge and belief.

Nov. 17, 2006
Date

Robert L. Reiter
Signature of Applicant

Robert L. Reiter, Gen. Mgr. and Chief. Engr.
Printed Name and Title

1.0 EXECUTIVE SUMMARY

On March 15, 2006 the San Bernardino Local Agency Formation Commission (LAFCO) approved and adopted Resolution No. 2893 that made certain determinations on LAFCO 2919, a Service Review and Sphere of Influence update for the San Bernardino Valley Water Conservation District (Conservation District). Among those determinations were the following:

> Whereas, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the San Bernardino Valley Water Conservation District shall be reduced to a "zero" sphere of influence *with the direction that the consolidation of the District with the San Bernardino Valley Municipal Water District should be pursued*; (emphasis added)
>
> and
>
> The establishment of a zero sphere of influence is proposed to point toward the consolidation of the San Bernardino Valley Water Conservation District and the San Bernardino Valley Municipal Water District *to better serve the whole of the Bunker Hill Basin which supports the populations identified above*. (emphasis added)

This Plan for Service establishes the bases to carry out the evaluation of the consolidation of the Conservation District with the San Bernardino Valley Municipal Water District (Valley District) as directed by LAFCO Resolution No. 2893. Included in this Plan for Service is a comprehensive evaluation of the services to be continued and how those services will be funded both at present and in the future. The results of the evaluation of the proposed consolidation are as follows:

1. Per its principal act and LAFCO approval, Valley District is authorized to provide all services currently provided by the Conservation District. (Section 3.2)
2. The Groundwater Assessment levied and collected by the Conservation District will be eliminated. (Section 3.2)
3. Valley District will continue to provide all services currently provided by the Conservation District, including the operation and maintenance of all Conservation District recharge facilities for the benefit of the entire San Bernardino Basin Area (SBBA). (Section 3.3)
4. Groundwater producers and their constituents within the Conservation District boundary will save $700,000 every year as a result of the consolidation. (Table 5.1)
5. One-time revenue of approximately $3,120,000 will be realized from the sale of surplus real property assets of the Conservation District. (Section 5.2)

6. All revenue, ongoing and one-time, will be placed in a segregated Basin Management Account to fund basin management related activities. (Section 5.2)
7. Ongoing Conservation District revenue, not including the groundwater assessment, is more than adequate to cover the expenses necessary to continue to provide the services of the Conservation District. (Section 5.2)
8. Valley District will succeed to all rights, responsibilities, properties, contracts, assets and liabilities of the Conservation District, and will implement an efficient transition plan in accordance with the goals of the consolidation (Section 6.2)
9. All regular Conservation District employees shall become employees of Valley District with retention of salaries, seniority rights, vacation/sick leave accruals, and retirement benefits. Further, several benefits provided by Valley District are better than those offered by Conservation District. All Conservation District employees will be immediately offered the enhanced benefits applicable to all Valley District employees. (Section 6.3)
10. An Advisory Board comprised of all current Conservation District Board Members will be formed to ensure access to and benefit from their knowledge and experience. (Section 6.4)

The following table lists services which the Conservation District is currently providing and other activities in which the Conservation District is participating. The anticipated changes as a result of the consolidation are also listed. Each of these services is described in more detail in Section 3.3. Valley District is a party to or lead agency for many of the services and activities performed by the Conservation District, thereby facilitating the consolidation.

Service/Activity	Result of Consolidation	Change
Surface Water Rights	Santa Ana River and Mill Creek Water Rights transferred to Valley District. Mill Creek water rights application transferred to the historic water right holders.	None.
Recharge Facility Operations and Maintenance	Valley District continues maintenance operations on the Santa Ana River facilities. Mill Creek property transferred back to City of Redlands for continued operations.	None.
Mining Leases	Transferred to Valley District for administration.	None.
Upper Santa Ana River Wash Plan (Plan B)	Valley District accepts lead agency role and completes project.	None.

Service/Activity	Result of Consolidation	Change
Santa Ana River – Mill Creek Cooperative Water Project Agreement (Project Manager)	Valley District requests, as a Party to the Agreement, that the Management Committee assign a new Project Manager as described in the CWP Agreement	None.
Big Bear Watermaster	Valley District replaces Conservation District on Watermaster Committee	None.
High Groundwater Mitigation and Integrated Management Program Demonstration Projects	Valley District continues in its leadership role for these projects	None.
Drought Mitigation Project	Conservation District removed funding from project.	None.
Integrated Regional Groundwater Management Plan/Water Facilities Master Plan	Valley District continues in its leadership role. Conservation District's projects integrated into Valley District's IRGMP projects.	None.

Valley District will perform all activities currently performed by the Conservation District after the consolidation of the Conservation District with Valley District.

2.0 INTRODUCTION

The Plan for Services for the proposed consolidation of the San Bernardino Valley Water Conservation District (Conservation District) and the San Bernardino Valley Municipal Water District (Valley District) has been prepared for submission to the San Bernardino Local Agency Formation Commission (LAFCO) as part of a consolidation application pursuant to Government Code Section 56653(a). This Plan provides LAFCO, public agencies, affected property owners and residents, and other interested persons with information regarding how services will be provided following the consolidation. Included in this report are:

- A description of the services to be provided;
- An overview of recharge facilities, their condition and a management plan;
- Projected service costs and revenue; and a
- Transition Plan for the orderly consolidation of the two districts.

Upon LAFCO approval of the consolidation, Valley District will be solely responsible for providing the services described in this Plan. All services currently provided by the Conservation District will be continued or enhanced after the consolidation takes place. In addition, significant organizational and resource management efficiencies, as described in more detail below, will be achieved through the consolidation.

3.0 SERVICES TO BE PROVIDED

3.1 AGENCY OVERVIEW

Valley District encompasses 225,430 acres and serves approximately 600,000 people in the communities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, Grand Terrace, and Yucaipa. The Conservation District encompasses 49,690 acres (22% of Valley District) and serves approximately 200,000 people in the communities of San Bernardino, Highland, Redlands, and Loma Linda. Valley District overlies 97%, and has statutory authority to represent and manage 100%, of the San Bernardino Basin Area (SBBA) while the Conservation District overlies 54%. The consolidation of the Conservation District and Valley District will not require changes to the current Valley District boundary because the boundary for the Conservation District is wholly contained within the Valley District boundary. *Figure 1 – Boundary Map* shows the geographic extent of each district boundary along with the San Bernardino Basin Area.

San Bernardino Valley Municipal Water District (Valley District)

Valley District was established in 1954 with authority to manage water resources pursuant to its principal act. The District is a member of the State Water Project with a contractual allocation of up to 102,600 acre-feet of State Water Project water per year. Specifically, the District operates under the Municipal Water District Law of 1911 (California Water Code Section 71000 *et seq*.) and is granted broad powers and authorities therefrom.

The District has adopted the following mission statement:

> Develop regional facilities to allow coordinated management of available water resources to meet the ultimate requirements of all water purveyors and increase the reliability of supplies, by maximizing the use of local water resources and optimizing the use of imported water. The regional facilities should be cost effective and developed in a systematic phased program with the cooperation of the water purveyors. (1995 Regional Water Facilities Master Plan, p. 1-8)

To fulfill its obligations as formally stated in the Mission Statement, Valley District has designed and constructed regional water facilities throughout its service area to ensure the efficient use of all water resources available to the users within the District.

Valley District is a party to, and has a critical role, as one of four parties charged with implementing the Orange County Judgment[1] and the Western Judgment[2], which provide Valley District with the legal authority and responsibility to manage the groundwater resources of the San Bernardino Basin Area. This role is confirmed by the District's representation on the Court-appointed Watermaster committees that administer each Judgment. In accordance with the terms of the Judgments, a representative from Valley District is one of five members on the Watermaster Committee that administers the Orange County Judgment and one of two members on the Watermaster committee that administers the Western Judgment. Under these two Judgments, the Valley District is directly responsible to the courts for ensuring that groundwater and surface water supplies are effectively managed for the benefit of the region. Further, Valley District is solely obligated under the Western Judgment to replenish the groundwater basin if extractions exceed the safe yield as determined by the Court.

San Bernardino Valley Water Conservation District (Conservation District)

Conservation District was established in 1931 and operates under the Water Conservation District Law of 1931 (California Water Code Section 74000 *et seq*.). Its adopted mission statement is as follows:

---

[1] Orange County Water District v. City of Chino *et al*. [1969]
[2] Western Municipal Water District v. East San Bernardino County Water District *et al.* [1969]

> The mission of the San Bernardino Valley Water Conservation District is to ensure recharge of the Bunker Hill Groundwater Basin in an environmentally and economically responsible way, using local native surface water to the maximum extent practicable. We strive to improve the supply and quality of groundwater, balancing such demands with those of the land, mineral, and biological resources.

The Conservation District operates water recharge facilities used primarily for native surface water from two sources – the Santa Ana River and Mill Creek. In the material submitted as part of its Municipal Service Review conducted pursuant to Government Code Section 56430, the Conservation District stated that, in addition to its primary purpose of recharging native surface water, it participates in the following programs with other agencies[3]:

- **Upper Santa Ana River Wash Land Management and Habitat Conservation Plan (Plan B)**
- **Santa Ana River – Mill Creek Cooperative Water Project (CWP) Agreement**
- **High Groundwater Mitigation Project**
- **Drought Mitigation Project**
- **Big Bear Watermaster**

In summary, the Conservation District's primary responsibility is to divert and recharge, for the benefit of groundwater producers, native surface water from the Santa Ana River and Mill Creek. In addition, Conservation District has presented to LAFCO several supplementary activities in which it is currently participating. Further, the Conservation District holds leases for mining on land it owns. Section 3.3 further describes each of these activities and explains how Valley District will continue or enhance each one following LAFCO approval of the consolidation.

3.2 COMPARISON OF POWERS AND AUTHORITIES

As stated previously, Valley District and Conservation District were formed under different principal acts in the California Water Code, Sections 71000 *et seq*. and Section 74000 *et seq*., respectively. These acts, though quite similar in most respects, do contain certain differences that are highlighted and evaluated here in an effort to assure LAFCO that all services and functions conducted by the Conservation District will continue once the consolidation is approved. Table 2.1 summarizes generalized categories of services granted to municipal water districts and water conservation districts by their respective principal acts.

[3] Source: LAFCO 2919 SBVWCD Sphere Review/Sphere Update Staff Report. March 7, 2005

Table 3.1
Services Authorized by California Water Code

Service	Water Conservation District Law of 1931 *(Water Code §74000 et seq.)*	Municipal Water District Law of 1911 *(Water Code §71000 et seq.)*
Appropriate, acquire, and conserve water and water rights	Yes	Yes
Sell, deliver, and distribute water	Yes	Yes
Construct, operate, and maintain hydroelectric power facilities	Yes	Yes
Flood Control	Yes	No
Construct, acquire, maintain, and operate recreational facilities	Yes	Yes
Implement urban water conservation programs	No	Yes

As shown above, flood control is the only function that conservation districts are authorized to perform that is not included in those authorized for municipal water districts. However, in respect to the proposed consolidation, the Conservation District does not provide flood control services beyond those indirectly derived as a consequence of its standard water recharge functions, nor has it provided evidence to LAFCO that there is a need for it to provide this latent service in the future. Further, the San Bernardino County Flood Control District currently provides complete and reliable flood control services to the entirety of the Conservation District area. Therefore, based on a thorough review of the applicable California Water Code sections, all services currently provided by the Conservation District can be provided by Valley District under the authorities granted by the Municipal Water District Law of 1911 once the proposed consolidation is approved.

Pursuant to Government Code Section 56821, since 1976 LAFCO has had the exclusive authority for activation of all services and functions of special districts including water conservation districts and municipal water districts. In reviewing the Conservation District's functions, LAFCO has consistently determined that the Conservation District only provides two services, water conservation and conducting surveys of water resources.

In accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 *et seq*.), LAFCO has conducted service reviews for Conservation District and Valley District. As part of these reviews, LAFCO reviewed existing authorized services and functions and modified them as appropriate for both districts. Valley District's service review was completed in 2003 and authorized the following services and functions.

Valley District[4]	
Service	**Function**
Water	Wholesale, retail, agricultural, domestic, replenishment, conservation
Sewer	Collection, transportation, treatment, reclamation, disposal
Power	Generation, distribution
Electrical Production	
Electrical Transmission	
Park & Recreation	Development, operation, recreation (cannot perform the function within an existing agency with park and recreation services)

The Conservation District's service review was completed in 2006 and included the following services and functions.

Conservation District[5]	
Service	**Function**
Water Conservation	Appropriation, acquisition, and conservation of water and water rights for any useful purpose. Acquisition and construction of dams, reservoirs, canals, conduits spreading basins, and sinking basins in order to conserve, store, spread, and sink water.
Surveys of Water Supply and Resources	Make surveys and investigation of the water supply and resources of the Water Conservation District

[4] LAFCO Resolution No. 2791, November 19, 2003
[5] LAFCO Resolution No. 2893, March 15, 2006

Although the descriptions of the Conservation District's authorized functions are somewhat more detailed, Valley District has performed, and continues to perform, water conservation and water supply surveys throughout its service area. Valley District's role in water supply and resources is formalized by the Western Judgment's appointment of Valley District as a representative on the Watermaster Committee. The Court states the following in Recital 13(a) of the Judgment.

> "This Judgment and the instructions and subsequent orders of this Court shall be administered and enforced by a Watermaster. The parties hereto shall *make such measurements and furnish such information and obtain additional measurements and information as the Watermaster may deem appropriate*." (emphasis added)

Valley District was responsible for the determination of the safe yield of the SBBA as part of a multi-year survey of water resources in the basin and continues to perform additional water resource studies as necessary including the development of a groundwater model for the SBBA in cooperation with the United States Geological Society (USGS). Further, Valley District is also responsible for the management in the Colton-Rialto, Riverside North, and Riverside South Basins as required by the Judgment.

As a side note, the Municipal Water District Law also authorizes several other services not evaluated here because they are not included in the Water Conservation District Law. These services include sewage collection and treatment, fire protection, street lighting, and the collection and disposal of refuse.

To accomplish the services listed in Table 3.1 above, the applicable Water Code sections provide administrative powers to both municipal water districts and water conservation districts. Table 3.2 summarizes and compares the relevant powers authorized under each principal act.

Table 3.2
Powers Authorized by California Water Code

Power/Authority	**Water Conservation District Law of 1931** ***(Water Code §74000 et seq.)***	**Municipal Water District Law of 1911** ***(Water Code §71000 et seq.)***
Enter into contract for water and other related facilities	Yes	Yes
Issue bonds	Yes	Yes
Levy and collect a Groundwater Charge	Yes	No
Set water rates	Yes	Yes

Power/Authority	Water Conservation District Law of 1931 *(Water Code §74000 et seq.)*	Municipal Water District Law of 1911 *(Water Code §71000 et seq.)*
Exercise the right of eminent domain	Yes	Yes
Commence, intervene in proceedings related to water rights adjudication	Yes	Yes
Exercise powers expressly granted or necessarily implied	No	Yes

As with the comparison of the authorized services, it can be seen that the powers authorized by the Water Code are quite similar between the two different types of districts. The only difference identified is that conservation districts, unlike municipal water districts, are provided the authority to levy and collect a groundwater charge on groundwater production within their boundary. The Conservation District currently levies such a charge and it is acknowledged that once a consolidation is approved the authority to levy such a charge will be eliminated. However, as shown in Section 5, other revenue sources are more than adequate to continue to provide the necessary services under a more efficient, consolidated organizational structure.

3.3 CONTINUANCE OF CONSERVATION DISTRICT WATER MANAGEMENT AGREEMENTS AND ACTIVITIES

Upon consolidation, Valley District will continue all the services that are currently provided by the Conservation District and efficiently integrate them into its current water management programs. The following provides more detailed information regarding the specific service areas and responsibilities which Valley District will continue after the consolidation:

Surface Water Rights

Description: The Conservation District holds two water right licenses that allow up to 10,400 acre-feet of Santa Ana River water to be diverted for groundwater recharge during certain times of the year. The District also claims certain quantities of pre-1914 water rights on the Santa Ana River and Mill Creek. In addition, the Conservation District has submitted an application to the State Water Resources Control Board (SWRCB) for the purpose of confirming its claimed pre-1914 rights on the Santa Ana River and Mill Creek.

Status: The Conservation District signed a Settlement Agreement with Valley District and Western Municipal Water District of Riverside County (WMWD) in August 2005 (Appendix A) that establishes conditions on Santa Ana River water use priorities and sets limits, based on

hydrologic conditions, on the recharge operations conducted by the Conservation District. As part of that agreement, the Conservation District agreed to subordinate its water rights "so as to conform with the requirements of an annual groundwater management plan to be developed by Valley District and WMWD after consultation with the Conservation District and Bear Valley *et al*."[6]. Any water rights granted by the SWRCB, over and above the current licenses for 10,400 acre-feet per year current licenses, would be subordinate to 100,000 acre-feet per year of Valley District and WMWD rights unless the groundwater management plan calls for additional spreading. Valley District and WMWD retain veto rights over the groundwater management plan to ensure maintenance of the safe yield of the SBBA.

Valley District and WMWD have submitted two water rights applications of 100,000 acre-feet per year each to the SWRCB in an effort to secure an additional long-term water supply from the Santa Ana River for this highly populated region. The Draft Environmental Impact Report (DEIR) for the water rights application establishes the priority for the use of any newly conserved water in the following way:

1. Direct Delivery
2. Groundwater Recharge in the SBBA
3. Groundwater Recharge in other Valley District/WMWD Service Areas
4. Water Exchanges

If all the needs are being met for priorities 1 through 3, the opportunity to exchange water from the Santa Ana River with The Metropolitan Water District of Southern California (or other entities) is available. This can only occur during times when the quantity of Santa Ana River water available for diversion exceeds the immediate demands of the local water agencies and the ability to store water in the SBBA and other basins within the joint service areas of Valley District and WMWD. During such abundant water periods, Valley District could deliver Santa Ana River water to the other agencies in exchange for an equal quantity of water to be returned at a more desirable time, effectively lowering the overall cost of water throughout the area.

Post Consolidation: All valid water rights held by the Conservation District will be transferred to and exercised by Valley District. As determined by the Advisory Committee for LAFCO 2919 established by the Commission in September 2005, water rights are considered a real property right which can be transferred. Therefore, upon approval of the consolidation, Valley District intends to request the transfer of existing water rights held by the Conservation District through the State Water Resources Control Board. Further, Valley District will continue to implement the Integrated Regional Groundwater Management Plan (IRGMP) it has initiated with the other water agencies within its boundaries as required by the Seven Oaks Accord, described below, to ensure recharge operations are optimized throughout the SBBA. This plan relies

[6] Settlement Agreement Among Conservation District, Valley District, and WMWD, August 2005

heavily on the use of native water for recharge and it will succeed in providing the intended benefits only if this type of recharge is maintained and expanded in the future.

As required by the Memorandum of Understanding (MOU) with the City of Riverside (Appendix B), Valley District will request the withdrawal of the Conservation District's Santa Ana River water rights application. However, this action will have no detrimental affect because it does not interfere with the existing 10,400 acre-foot licenses held by the Conservation District. Further, the Settlement Agreement subordinates any new rights for the Conservation District to the first 100,000 acre-feet of new rights for Valley District and WMWD while maintaining the priority for use of the water for groundwater recharge.

The Conservation District's water rights application for Mill Creek would be transferred to the historic water rights holders, the Mill Creek Water Owners, Crafton Water Company and City of Redlands, as required by the MOU between Valley District and the City of Redlands (Appendix C). The exercise of these water rights is limited by the Integrated Management Program Demonstration Project Agreement (IMPDPA) (Appendix D) to 10,000 acre-feet per year

Due to its obligation to maintain the natural safe yield of the San Bernardino Basin under the Western Judgment, Valley District has a considerable incentive to optimize the use of native water for groundwater recharge. For every acre-foot of use in excess of the safe yield of the SBBA, Valley District is solely responsible for its replacement at substantial cost. Further, Valley District is obligated to maintain the safe yield of the SBBA. A portion of that safe yield is the recharge of native surface water.

Therefore, after a consolidation takes place, groundwater management will be performed in the same manner as it is currently. The cooperative structure for how decisions are made has already been established and Valley District, like all other agencies, is bound to abide by those decisions.

Recharge Facilities and Operations

Description: The facilities currently operated by the Conservation District to accomplish groundwater recharge, canals, diversion structures and percolation basins, are described in more detail in Section 4. Their location is shown on *Figure 2- SBVWCD Facilities*.

Status: The Conservation District recharge facilities along the Santa Ana River and Mill Creek are in good working order and provide groundwater replenishment to a portion of the SBBA.

Post Consolidation: As the successor service provider, Valley District will continue to use the existing recharge facilities, in concert with its own pipelines and pumping plants, to recharge

native surface water into the groundwater basin, in accordance with established agreements and management programs that benefit groundwater producers within the entire SBBA.

The Mill Creek recharge facilities are intended to be transferred back to the City of Redlands once the consolidation is approved by LAFCO in accordance with the MOU between Valley District and the City of Redlands. The City of Redlands had a fee ownership interest in the Mill Creek recharge facilities from their original development in 1921 through 1979. In 1979 the City sold the property for $1 to the Conservation District to continue the water spreading activities. However, the City of Redlands has since determined that its needs are not being met, nor its interests protected, by the Conservation District[7]. Further, the City of Redlands maintains numerous other water facilities in and around the Mill Creek area for the benefit of its customers and has a full complement of personnel and equipment in the area on a daily basis to facilitate recharge operations in a more efficient manner. Therefore, upon transfer of the property, the City of Redlands will manage the spreading operations for Mill Creek in accordance with the existing agreements and the oversight of Valley District. As with the Santa Ana recharge facilities discussed above, no change in operation of the Mill Creek recharge facilities will occur as a result of the consolidation. This is because the groundwater management framework previously discussed applies equally to the Mill Creek recharge operation no matter which agency is responsible for the day-to-day recharge operations.

Mining Leases

Description: Sand and gravel mining operations have been conducted on both private and public lands within the Santa Ana River Wash Area since the early 1900's.

Status: The Conservation District has made three land leases for mining activities on its land. Copies of each lease, as provided to Valley District by the Conservation District, are attached as Appendix (E).

Post Consolidation: Upon consolidation, these leases will be transferred to Valley District which will continue to administer them in accordance with the existing terms and conditions and as they may be modified as a consequence of the approval of the ongoing Wash Plan process. Valley District has held a similar land lease for mining operations and is fully competent to manage and administer these types of contractual arrangements.

Upper Santa Ana River Wash Land Management and Habitat Conservation Plan (Wash Plan)

Description: The Wash Plan, commonly known as Plan B, is a joint effort among the Conservation District, the Cities of Highland and Redlands, the County of San Bernardino,

[7] City of Redlands Memorandum to LAFCO, August 2, 2005

mining companies, and the US Bureau of Land Management as landowners, and other resource agencies with responsibility within the area. Generally, the Wash Plan, once implemented, will result in the designation of certain areas within the Santa Ana River Wash area for mining, water conservation, and environmental mitigation/habitat preservation, in a coordinated management plan that optimizes the benefits of all three competing interests.

This process has been approved by the various parties/signatories of the Task Force Agreement (Appendix F), as well as the U.S. Department of Interior, Fish and Wildlife Service and the California Department of Fish and Game. The Plan consists of National Environmental Policy Act (NEPA)/California Environmental Quality Act (CEQA) environmental documents, a Habitat Conservation Plan (HCP), exchange of property between the Bureau of Land Management (BLM), Conservation District and the two mining operators and mining applications processed by the Cities of Highland and Redlands. The Plan is also intended to be used as the means to transfer land presently under mining leases, to free up the best property for continued, and perhaps expanded, water spreading, and to blend habitat conservation into both.

Status: The Conservation District is the lead agency for the development of the environmental documents for the Wash Plan, which was initiated in the early 1990's. Due to the lack of experienced staff, the Conservation District recently hired a consultant to perform the project management duties associated with this responsibility, including oversight of the environmental consulting team. The Draft EIR is scheduled to be distributed sometime in 2007 with full implementation a year or more after that. In terms of Conservation District specific components contained in the Wash Plan, there is the potential for restoration and/or expansion of percolation basins in the easterly portion of the project area.

Post Consolidation: Valley District will assume the lead agency status and continue to pursue the completion of this important program. This obligation to the Wash Plan is formalized in the aforementioned MOU with the City of Redlands, which states "The Parties shall work cooperatively towards the expeditious completion of the environmental documentation for the Wash Plan and the subsequent implementation."

Santa Ana River – Mill Creek Cooperative Water Project (CWP) Agreement

Description: The CWP Agreement is an agreement among ten public and private water agencies, including both Valley District and Conservation District, which establishes the framework for the transfer of water among the agencies. Its specific purpose can be ascertained from the 1976 CWP Agreement (Appendix G).

> …it is the desire of the Parties to provide for the Parties' beneficial use of the existing Local Water and of the available Import Water supply on an integrated basis utilizing various exchanges and transfers in order to provide for the most economical, efficient, and dependable supply possible at a minimum of expense to water users and the taxpayers and to conserve energy.

Status: Conservation District currently serves as the Project Manager of the CWP at the will of the Management Committee. No CWP Management Committee meetings have been convened in the last few years, but the Conservation District field staff has continued to collect and report instantaneous flow data on behalf of the CWP parties.

Post Consolidation: The CWP agreement allows for any other public agency appointed by the Management Committee and approved by Valley District to serve as the Project Manager of the program. Valley District will request that the Management Committee appoint a new agency to perform the Project Manager duties. Further, existing Conservation District field staff would continue to provide the necessary measuring and reporting of instantaneous flows for CWP parties. No other changes in the operation of the CWP are necessary.

High Groundwater Mitigation and Integrated Management Program Demonstration Projects

Description: Collectively, these programs were developed and have been implemented in an effort to cooperatively address the issues of high groundwater within the area of historic high groundwater in the lower SBBA by balancing the use of native surface water recharge and the need to minimize, to the extent possible, the impacts of earthquake induced liquefaction and flooding.

Status: The Conservation District has been a participant in both programs. Due to its regional perspective and its obligations to manage the groundwater and surface water resources of the SBBA, Valley District has taken a leadership role in these cooperative programs.

Shortly after the Seven Oaks Accord was adopted, Valley District entered into the Integrated Management Program Demonstration Project Agreement (IMPDPA) with the City of San Bernardino Municipal Water Department, East Valley Water District, the City of Redlands, Conservation District, and WMWD (Appendix D). The purpose of the IMPDPA is to gain experience in coordinated basin management as a first step towards the full implementation of the Seven Oaks Accord groundwater management plan provisions. Conservation District agreed to abide by limits on spreading in their facilities of Santa Ana River and Mill Creek water. As prescribed by the Agreement, these established limits on spreading can only be adjusted after all parties meet and confer in advance of the limits being reached, reach consensus on the rationale

for changing the target amounts, and obtain approval of the changed targets from each of the agency governing boards.

Post Consolidation: Valley District will continue to take the lead role in these important programs. No change in the overall implementation of the stated goals will occur as a result of consolidation.

Drought Mitigation Project

Description: In 2004, Conservation District placed funds on deposit to purchase State Water Project water from Valley District with the intent to spread the water to alleviate low groundwater levels brought on by the then-current drought.

Status: The majority of this pre-purchased water was never delivered due to protests from the local water agencies regarding how the Conservation District would charge the local water agencies for such delivery. Therefore, Conservation District sent a letter to Valley District in October 2006 (Appendix H) requesting a refund of the remaining funds. Valley District accommodated the request and the Drought Mitigation Program is no longer active.

Post Consolidation: This project is no longer funded based on the recent reimbursement of the unexpended funds the Conservation District deposited with Valley District for imported water. Therefore, no changes will result from consolidation.

Big Bear Watermaster

Description: The 1977 Big Bear Municipal Water District (Big Bear) Judgment (Appendix I) established a physical solution that allows water, owned by Bear Valley Mutual Water Company (Bear Valley), to be retained in Big Bear Lake that would have historically been discharged through Big Bear Dam and delivered to Bear Valley customers. In exchange for this retained water used for recreational purposes, Big Bear is obligated to deliver in-lieu water to Bear Valley from another source. The Big Bear Watermaster was established by the Judgment to account for flows into and out of Big Bear Lake under the simulated historic and exchange based operations of the lake. Members of the Watermaster include a representative from Big Bear, Bear Valley, and Conservation District.

Status: The Conservation District's role as a member of the Big Bear Watermaster is to ensure that the groundwater basin is not impacted by the operation of the Physical Solution as specified in the 1977 Big Bear Judgment. Valley District has agreed, as a party to a separate agreement

with Big Bear, to deliver State Water Project water or other sources as in-lieu water to Bear Valley as contemplated in the Judgment.

Post Consolidation: Valley District will work with the other Watermaster members and petition the Court with continuing jurisdiction for the Big Bear Judgment to substitute Valley District for Conservation District in the Judgment and assign Valley District to the Big Bear Watermaster Committee. Based on its obligation to maintain the safe yield of the SBBA, Valley District is the logical choice to represent the interests of those who rely on this water source on the Big Bear Watermaster Committee.

Integrated Regional Groundwater Management Plan/Water Facilities Master Plan

Description: Valley District is the lead agency for the development of a comprehensive Integrated Regional Groundwater Management Plan (IRGMP). Other participants include:

- Conservation District
- City of Redlands Municipal Utilities Department
- City of Riverside Public Utilities Department
- East Valley Water District
- City of San Bernardino Municipal Water Department
- West Valley Water District
- Yucaipa Valley Water District
- Water Resource Institute, California State University, San Bernardino (WRI)

Status: A Technical Advisory Group, made up of representatives of the agencies above, submitted a request for grant funding for the IRGMP. On January 3, 2006, Valley District was awarded a grant in the amount of $498,560. (Appendix J) Since that time, the Technical Advisory Group has been formulating the IRGMP for submittal to the State Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) in mid-2007 as part of an application for project implementation grant funding. Guidelines from DWR and SWRCB state, "The intent of the IRWM Grant Program is to encourage integrated regional strategies for management of water resources and to provide funding, through competitive grants, for projects that protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water." A comprehensive list of water resource projects within the SBBA has been compiled and is currently being evaluated for compliance with the guidelines.

The IRGMP supplements Valley District's existing Regional Water Facilities Master Plan (Master Plan) completed in 1995. The Master Plan specifically addresses water resource

management strategies, including water conservation and the management of groundwater, surface water, imported supplies, reclaimed water and spreading operations. This Plan and the updated IRGMP contain 39 projects identified by Valley District, in cooperation with the other participants, as necessary to allow for the provision of water service throughout its service area. The Conservation District has also submitted a total of four projects that are being evaluated as part of the larger IRGMP.

Post Consolidation: Valley District will integrate the Conservation District's IRGMP projects into its own plans and continue to pursue the timely completion of the IRGMP and subsequent project implementation.

3.4 OTHER VALLEY DISTRICT WATER MANAGEMENT RESPONSIBILITIES

Orange County and Western Judgments

There are two Judgments that have priority within the SBBA. The Orange County Judgment divides the Santa Ana River watershed at Prado Dam and requires three upstream agencies (Inland Empire Utilities Agency, WMWD, and Valley District) to effectively manage water resources within the Santa Ana River such that the Orange County Water District receives the stipulated quantity and quality of water. In part to ensure these flow obligations are met, the Western Judgment aims to preserve the safe yield of the SBBA by establishing entitlements to groundwater and surface water diversions and by requiring replenishment of the SBBA by Valley District when extractions exceed the safe yield. Following consolidation, the Valley District will continue to be represented on the Watermaster Committee for each of these Judgments.

Seven Oaks Accord

In July 2004, Valley District and WMWD entered into the Seven Oaks Accord with a number of water purveyors in the San Bernardino Valley with existing historic rights to Santa Ana River water. (Appendix K) The purveyors include the Bear Valley Mutual Water Company, City of Redlands, East Valley Water District, Lugonia Water Company, North Fork Water Company, and Redlands Water Company. The Seven Oaks Accord requires all parties to cooperate in the development of a groundwater management plan for the SBBA. The Conservation District is not a party to the Seven Oaks Accord. Therefore, no changes are required as a result of the proposed consolidation.

Institutional Controls Groundwater Management Program

Valley District is participating in a program to develop and adopt an Institutional Controls Groundwater Management Program (ICGMP). An ICGMP Agreement was entered into by Valley District, City of San Bernardino, City of San Bernardino Municipal Water Department,

WMWD, City of Riverside, City of Colton, East Valley Water District, West Valley Water District and Riverside Highland Water Company. The agreement calls for the parties to develop an ICGMP that has several objectives: (a) protect the Newmark remedial system from interference; (b) provide adequate water supply, with particular attention to fire protection needs; (c) control high groundwater in certain parts of the City of San Bernardino, to address potential earthquake liquefaction; (d) assure compliance with certain water rights judgments governing inter-basin exports of water; (e) effectively address other groundwater contamination sites in the SBBA, including PCE contamination created by the Norton Air Force Base in the southern part of the City, and the perchlorate and VOC plumes in the Redlands-Crafton area.

The City of San Bernardino Municipal Water Department has stated its concern regarding the potential impacts the Conservation District's recharge operations could have on the ICGMP if not integrated into a basin wide water management program.[8] The consolidation will assure spreading in the Conservation District facilities along the Santa Ana River will be cooperatively managed and consistent with Federal, State, and local government cleanup efforts currently underway in areas outside of the Conservation District boundary.

Summary

In 2005, the Conservation District alleged an incompatibility in having Valley District administer both the Western Judgment and the Conservation District's traditional water recharge role, and in having Valley District serve as both the importer of State Project Water and the agency primarily responsible for the recharge of native surface water. The Advisory Committee for LAFCO 2919, appointed to evaluate this and other consolidation related issues, thoroughly studied the allegation above and found that no incompatibility would result from a consolidation of Valley District and Conservation District. This position was supported by 7 of the 9 agencies represented on the Committee. Further, on a statewide level, several of the 29 State Water Project contractors are County Flood Control and Water Conservation Districts, again showing no incompatibility in having a single agency provide imported water and water conservation services.

Upon Consolidation, Valley District commits to continue providing all services currently provided by the Conservation District.

3.5 BENEFIT TO GROUNDWATER BASIN STAKEHOLDERS

The proposed consolidation of Valley District and the Conservation District is expected to result in improved comprehensive water resource management and substantial financial efficiencies to the benefit of groundwater producers, the public and other municipal agencies. On January 26, 2006 the Advisory Committee for LAFCO 2919 made the following finding;

[8] Memorandum to San Bernardino Board of Water Commissioners, August 2, 2005

Efficiencies and cost-savings can be achieved through a consolidation. Specifics of such cost savings would be a required part of a "Plan for Service" to be presented as required by State Law and LAFCO policy for an official consolidation application.

Valley District, through its representation on two Watermaster Committees and by means of its leadership in the Seven Oaks Accord and other cooperative programs, is the regional agency best suited to manage the groundwater and surface water resources of the SBBA.

4.0 FACILITY CONDITIONS

4.1 CONDITION OF RECHARGE FACILITIES

The Conservation District's spreading basin infrastructure consists of unlined canals, berms and dikes made of natural material, and open spreading basins. The majority of the canals and percolation basins used were constructed in the 1930's. To create the percolation basins, native material was displaced to create a levee, allowing diverted water to flow in and accumulate. Small concrete structures with gates were constructed to regulate flows between basins. Representative photographs are included in *Figure 3 – Recharge Facilities.*

There are two primary diversion structures, one on the Santa Ana River and one on Mill Creek, with one secondary diversion on lower Mill Creek. The diversion structure on the Santa Ana River was constructed in the 1930's upstream of a concrete and rock diversion structure (Cuttle Weir) placed across the main river channel. This structure originally had a design capacity of 1,000 cubic feet per second (cfs). However, based on available diversion records and known facility constraints on the main canal, less than 250 cfs can reliably be diverted for beneficial recharge. Additional water can be diverted using other local agencies' infrastructure. The diverted water is conveyed under Greenspot Road to the Parshall Flume for measurement, and then to the Santa Ana River recharge ponds for percolation.

The Conservation District's recharge operation has remained relatively unchanged since the facilities were built in the 1930's. The control mechanisms, or gates, are all manually operated and no mechanical automation is used. Each of the ponds, in series, is provided the diverted water passively. As one pond is filled to capacity the remaining water then flows into the next pond, and so on until equilibrium is reached between the amount of water diverted and the overall recharge rate. There is also the opportunity to recharge through the front face of the Seven Oaks Dam pervious material borrow pit, which can be seen on Figure 2. Overall, the Santa Ana River recharge area has 14 percolation basins, with a total wetted area of approximately 131 acres.

The US Army Corps of Engineers reconstructed the Mill Creek diversion structure in the 1980's as part of a flood protection project for the Santa Ana River Main Stem. This facility is rated at 90 cfs. In much the same way as the Santa Ana River facilities, water is diverted from Mill Creek and flows through a series of ponds and manually operated gates. In addition, Santa Ana River water can be conveyed to the Mill Creek recharge area using other agencies' facilities. There are 59 percolation basins in the Mill Creek recharge area with a total wetted area of approximately 66 acres.

4.2 FACILITY MAINTENANCE AND CAPITAL NEEDS

The canals, percolation basins, and concrete structures and gates are in good condition and no capital needs have been identified.[9] The following maintenance discussion is based on the Conservation District's June 2004 draft of the Program for Effective Recharge Coordination (PERC) (Appendix L). Canals are typically dug into the existing topography and are left with their natural surface. Depending on the particular canal location, the bottom and sides of the canals may develop natural rock armor over time as the fine material is washed away or may experience sedimentation. Maintenance activities include clearing encroaching vegetation, removing sediment, and repairing washouts or erosion. Little maintenance of the canals is required beyond weed abatement and sediment removal. Washout and erosion repair is typically accomplished by filling in the eroded area with native material and sometimes with grouted rock. Vegetation control usually occurs annually and other activities occur infrequently as needed. As a result, canal maintenance is minimal with most efforts focused on weed abatement and sediment removal.

Typically, pipe or box culverts are used to pass water in a canal under a road crossing. Maintenance activities include clearing encroaching vegetation, clearing of debris or sediment in the nearby canal and repairing damage to the nearby canal or the culvert itself. Repair of the nearby canal is required when the canal sides above or below the culvert erode or washout and such repair is typically accomplished by filling in the eroded area with native material and sometimes, with grouted rock. Repairing the culvert itself typically requires excavation of the roadway. Vegetation control usually occurs annually, sediment removal every two to three years or when rainfall is sufficient to produce flows that support groundwater recharge, and the remaining activities infrequently as needed.

Dikes are typically comprised of native material (from which much of the rock has been removed) and formed into a berm 5 to 15 feet high. Native vegetation is allowed to grow on the slopes of dikes. Water passes from one basin to the next through overflow culverts, typically constructed of corrugated metal pipe with a concrete headwall that passes through the dikes. Maintenance activities include occasional excavation and compaction of the dike material at the

[9] San Bernardino Valley Water Conservation District Municipal Service Review submittal to LAFCO. 2003

source of leaks, similar work to replace broken overflow culverts, and repair of washouts. Such repairs occur infrequently as needed.

Basins are typically areas of shallow excavation on the upstream side of dikes, and are where the actual water percolation takes place. Flow of water into these basins brings suspended sediment, which is dropped to the basin floor during the percolation of the water. Periodic removal of this sediment is required in order for percolation rates to remain efficient. The removal process also tills the basin floor. Maintenance activities include clearing encroaching vegetation and removing sediment. Vegetation control usually occurs annually, and sediment removal occurs every one to five years depending on the basin, storm intensity, and other variables.

Diversion structures divert water from the Santa Ana River and Mill Creek into the recharge system, and once in the system, from canals into basins. The diversion structures typically consist of concrete or cement block, with wooden gates and associated hardware. Maintenance activities include clearing encroaching vegetation, clearing debris or sediment from the nearby canal, repairing the nearby canal, and repairing damage to the structure itself. Repair of the nearby canal is required when the canal sides above, below, or around the diversion structure erode or wash out, and such repair is typically accomplished by filling in the eroded area with native material and sometimes with grouted rock. Vegetation control occurs annually, removal of sediment occurs every two to three years, and all other activities occur infrequently as needed.

Access roads are typically 12 to 15 feet wide and surfaced with native material such as gravel or compacted soil. Maintenance activities include clearing encroaching vegetation, filling ruts and potholes, grading, resurfacing (with similar materials), and repairing washouts. Vegetation control usually occurs annually and other activities usually occur every two to three years.

4.3 LONG-TERM INFRASTRUCTURE MANAGEMENT

Post consolidation, Valley District, in cooperation with the City of Redlands, will continue to operate and maintain the recharge facilities in the same manner as the Conservation District. The City and Valley District are both obligated to operate the recharge facilities in a manner consistent with the Seven Oaks Accord. Further, as part of its ongoing effort to secure a new, long-term water supply from the Seven Oaks Dam, Valley District will strive to greatly enhance the diversion, conveyance, and recharge capability of the Santa Ana River facilities. By increasing these capacities, more water can be beneficially used in a much shorter timeframe to better correspond with the highly variable stream flows of the Santa Ana River.

In order to maintain the effective recharge capacity, Valley District will incorporate inspection and maintenance of the facilities into its standard maintenance procedures. Through a preventative maintenance program, the recharge facilities will be managed to provide a

maximum return to the benefit of the groundwater producers, public and other stakeholders. Similarly, capital needs will be addressed as they arise to ensure that no degradation of the recharge facilities occurs. Valley District has the staff and financial resources to provide for the maintenance, repair, and capital needs of the facilities. Specific financial and staffing related matters are discussed in detail in Section 5.

5.0 SERVICE COST AND REVENUE

5.1 PROJECTED COSTS TO PROVIDE SERVICES

The most accurate method to determine the costs necessary to continue to provide the services currently being offered by the Conservation District once a consolidation is implemented is to perform a detailed side-by-side comparison of the existing expense budgets for both Valley District and Conservation District. From that data, a budget for the new, more efficient, combined organization can be developed to show the total ongoing and one-time cost savings as a result of the proposed consolidation. In accordance with California Government Code Section 56881(b)(1), LAFCO must make the determination that public service costs of a proposal are likely to be less than or substantially similar to the costs of alternative means of providing the service. In order to provide the information needed by LAFCO, Valley District presents the following analysis to further justify, from a financial perspective, the proposed consolidation.

Table 5.1 presents the budget analysis. The first column contains a line number for each expense item to be used as a reference. Columns 2 and 3 contain the current fiscal year budgets from Valley District and Conservation District, respectively. Column 4 shows the total potential costs to the public prior to a consolidation. Column 5 shows the new combined proforma budget for the consolidated organization and Column 6 is simply the difference between the consolidated and non-consolidated budgets and shows the savings/costs to the public as a result of the proposed consolidation. Some principal assumptions used in the development of Table 5.1 include the following:

1. Positions are provided to all regular, at the time of consolidation, Conservation District employees at their same rate of pay. Future pay rate adjustments will follow approved policies for all employees of Valley District. The Conservation District General Manager's contract, substantially equivalent to the one in place in November 2006 (Appendix M), will be assumed by Valley District.
2. All full-time Conservation District employees shall become full-time employees of Valley District with retention of salaries, vacation/sick leave accruals and accrual rates, retirement and other employee benefits applicable to Valley District.
3. All Conservation District administration and field operations will be coordinated within the existing Valley District structure.

4. All existing programs and activities of Conservation District are continued.
5. The Conservation District's Redlands Plaza and field operations facilities will be sold.

Table 5.1
Budget Comparison and Cost Savings

Line	Expense Item	Valley District 06-07 Budget	Conservation District 06-07 Budget	Total Costs to Public	Valley District Proforma Budget After Consolidation	Annual (Savings)/ Costs to Public
	Payroll/Directors Fees					
1	Salaries	1,980,000	575,000	2,555,000	2,555,000	-
2	Overtime	75,000	8,400	83,400	80,000	(3,400)
3	Directors Fees	171,990	61,000	232,990	171,990	(61,000)
4	PERS Retirement	620,000	103,000	723,000	751,750	28,750
5	Payroll Taxes	113,000	43,000	156,000	156,000	-
6	Medical Insurance	231,344	75,000	306,344	306,344	-
7	Dental Insurance	26,130	6,600	32,730	32,730	-
8	Workers Comp.	55,000	14,500	69,500	69,500	-
9	Unemployment Ins.	-	2,400	2,400	2,400	-
10	Health Reimb. Plan	104,000	3,100	107,100	144,000	36,900
	State Water Project					
11	Debt Service	23,709,143		23,709,143	23,709,143	-
12	SWP Audit	50,000		50,000	50,000	-
13	State Water Contract.	160,000		160,000	160,000	-
14	Variable Energy Ch.	11,000,000		11,000,000	11,000,000	-
15	Administrative Fees	4,010,960		4,010,960	4,010,960	-
	Fixed Asset Improvements					
16	Pipeline Control Sys.	150,000		150,000	150,000	-
17	Office Equipment	50,000	23,500	73,500	73,500	-
18	Vehicle Replacement	74,000	16,200	90,200	90,200	-
19	Field Improvements	14,000,000	158,000	14,158,000	14,158,000	-
20	Central Feeder Ph. 1	4,000,000		4,000,000	4,000,000	-
21	Office Site Improve.	-			-	-
22	SARI Line Capacity	840,960		840,960	840,960	-
23	Land Purchase	1,000,000		1,000,000	1,000,000	-
	Special Services					
24	Legal	765,000	125,000	890,000	800,000	(90,000)
25	Watermaster	2,400		2,400	2,400	-
26	Temp. Office Serv.	10,000		10,000	10,000	-
27	District Audit	27,000	20,000	47,000	27,000	(20,000)
28	CWP Project Mgr	30,000		30,000	-	(30,000)*
29	Public Educ. & Info.	60,000	16,000	76,000	60,000	(16,000)
30	Consultants	4,000,000	211,500	4,211,500	3,781,500	(430,000)
	General Office Expense					
31	Liability Insurance	50,000	30,000	80,000	50,000	(30,000)

Line	Expense Item	Valley District 06-07 Budget	Conservation District 06-07 Budget	Total Costs to Public	Valley District Proforma Budget After Consolidation	Annual (Savings)/ Costs to Public
32	Property Insurance		4,400	4,400	2,000	(2,400)
33	Office Supplies	200,000	7,200	207,200	207,200	-
34	Printing/Photos	20,000	5,000	25,000	25,000	-
35	Bank Charges/Fees	12,000	2,500	14,500	12,000	(2,500)
36	Postage	12,000	2,700	14,700	14,700	-
37	Taxes/Licenses	40,000	3,100	43,100	43,100	-
38	Advertising	10,000		10,000	10,000	-
39	Education	11,000	2,500	13,500	13,500	-
40	Election Expense	70,000		70,000	70,000	-
41	Dues & Subscrip.	125,000	16,500	141,500	130,000	(11,500)
	Travel, Meals & Lodging					
42	Vehicle Expense	70,000	9,600	79,600	79,600	-
44	Meals & Lodging	35,000	68,800	103,800	45,000	(58,800)
	Special Programs					
45	USGS Data Collect.	1,914,000		1,914,000	1,914,000	-
46	SAWPA	248,412		248,412	248,412	-
47	USAWRA Programs		20,000	20,000	-	(20,000)
48	Wash Plan (net)		30,000	30,000	30,000	-
49	Water Stock Assess.	45,000		45,000	45,000	-
50	Emergency Prep.	10,000		10,000	10,000	-
51	Loan to SBRWRA	50,000		50,000	50,000	-
52	SB LAFCO Funding	12,000	2,000	14,000	12,000	(2,000)
	Operations Expense					
53	Utilities, Comm.	1,600,000	27,700	1,627,700	1,610,000	(17,700)
54	Maint. & Repairs	2,500,000	17,900	2,517,900	2,517,900	-
55	Field Supplies	200,000	18,000	218,000	218,000	-
56	Yucaipa Lakes	20,000		20,000	20,000	-
57	Spreading Fac. Maint	5,000	50,000	55,000	55,000	-
58	Water Quality Testing	35,000		35,000	35,000	-
59	Equipment Rental	2,000		2,000	2,000	-
	Total Expenses (net)	**$74,582,339**	**$1,780,100**	**$76,382,439**	**$75,662,789**	**($699,650)**
					Total Ongoing Annual Savings to Public from Consolidation	**$699,650**
					Cost to Provide Conservation District Services After Consolidation	**$1,080,450**

*Not included in sum

Table 5.1 shows an ongoing annual cost savings of approximately $700,000 to the public as a result of the proposed consolidation. The cost to continue to provide the services identified by the Conservation District under the new, more efficient organization is $1,080,450.

The cost savings, more specifically detailed below, generally fall into three categories. First, there is a significant cost savings simply from the fact that the consolidated organization does not require a separate Board of Directors and legal counsel. Secondly, much of the Conservation District's administrative costs become redundant once the consolidation is implemented. Thirdly, costs associated with involvement in other regional agencies and programs are minimized due to the fact that a single organization is now paying dues, subscriptions, and other costs.

The following list, referenced by their corresponding line number from Table 5.1, provides a more detailed explanation of the consolidated expense items that result in ongoing savings or costs.

Line	Expense Item	Comment
2	Overtime	Savings as a result of consolidated field operations where efficiencies are attained due to the reduction of overlapping coverage.
3	Director's Fees	Conservation District Board Members no longer compensated for the same number of meetings attended. Advisory Board for Consolidation members are compensated for attendance at meetings (costs covered as one-time expenses). Valley District Board members attend many of the same meetings therefore an offsetting expense is not required.
4	PERS Retirement	Conservation District employees currently covered under PERS 2.5% at 55 plan. Based on PERS information, the increased costs to transfer these employees to Valley District's 3% at 60 plan is approximately 5% of payroll. ($575,000 x .05 = $28,750)
10	Health Reimbursement Plan	Conservation District employees will be provided Valley District's standard reimbursement plan in lieu of their existing vision coverage and other minor health benefits.
24	Legal	Significant cost savings will be derived from the elimination of redundant legal support for the Conservation District Board, Redlands Plaza, and other administrative programs. New consolidated budget includes $35,000 per year for ongoing legal costs associated with the Conservation District's activities.
27	District Audit	The addition of the Conservation District's operations into Valley District's will not require additional audit expense.
28	CWP Project	The staff expense to perform these functions is now included in

Line	Expense Item	Comment
	Manager	the consolidated budget salary account. This cost is not included in the sum of savings to the public because there is an offsetting entry in the revenue budget.
29	Public Education & Information	No additional expense in this category is necessary because all programs now coordinated under Valley District's existing programs.
30	Consultants	Consultant expenses for Legislative, Water Rights, and Other Professional Services are redundant under the consolidated organization. To be consistent with expectations for other Valley District employees, the three professional positions at the Conservation District will be expected to offset existing Valley District consultant costs at a rate of 50% of their total salary and benefits cost. This expectation is reasonable because many of the existing Conservation District tasks will no longer be performed. (i.e. Annual Engineering Investigation, Board Meeting package preparation, etc.)
31	Liability Insurance	Valley District is self insured for most losses so no additional liability insurance is required.
32	Property Insurance	Reductions due to sale of surplus Conservation District assets.
35	Bank Charges	Reductions due to consolidated banking services.
41	Library, Dues & Subscriptions	Reductions resulting from combined membership in various organizations (ACWA, WestCAS, etc) Valley District is a member of ACWA and is a member of the Santa Ana Watershed Project Authority who is a member of WestCAS
44	Meals & Lodging	Even though the number of representatives, Directors and employees at the Conservation District is roughly 50% of that at Valley District, the Conservation District budgets almost twice as much for travel related expenses each year. Approximately $41,000 per year will be saved through the elimination of the travel related expenses for the Conservation District Board members. Further, Valley District has more conservative travel policies for employees, saving an additional $18,000 per year.
47	USAWRA Programs	Valley District is already a member of this program so these costs are redundant.
52	LAFCO Funding	Conservation District expense no longer required.
53	Utilities	Significant savings as a result of the consolidation of personnel and operations including services for alarm, electricity, telephone, natural gas, water, internet services

In conclusion, the consolidation will result in an estimated $700,000 annual decrease in the costs to provide the services of the Conservation District. Further, it is anticipated that the $700,000 projected annual savings shown in Table 5.1 will continue into the foreseeable future resulting in millions of dollars of savings to the public.

5.2 PROJECTED REVENUE

One Time Savings: There will also be a series of one-time savings and costs associated with the proposed consolidation as follows:

Gain from Sale of Conservation District Assets	$3,240,000
Advisory Commission for Consolidation Costs	-$20,000
Accrued Salaries and Benefits	-$67,294
One Time Transfer Costs (Office Improvements, Administrative, etc.)	-$30,000
Net One Time Savings	$3,122,706

These include a one-time gain from the sale of two Conservation District properties at 1630 West Redlands Blvd. and 2181 Mentone Blvd. An Opinion of Values conducted by a licensed real estate appraiser (Appendix N) on these properties determined approximate values of $2,000,000 and $1,240,000, respectively. Additional one-time costs associated with the transfer of employees and the establishment of the Advisory Board for Consolidation are estimated at $30,000 and $20,000, respectively. Accrued Salaries and Benefits as shown on the Conservation District's Balance Sheet dated June 30, 2006 of $67,294 is also shown as a one-time consolidation expense. All of these one-time items result in a gain of approximately of $3,120,000. This amount will be placed in the segregated Basin Management Account, as specified in the MOUs between Valley District and the City of Redlands and Valley District and the City of Riverside and WMWD, to be used for groundwater basin recharge purposes.

Ongoing Revenues: The services currently provided by the Conservation District as described in Section 3 are funded through a combination of property tax revenues, mining rents/royalties, groundwater assessments and interest. As with the expense items above, a combined revenue budget table (Table 5.2) has been compiled using the same methodology.

Table 5.2
Budgeted Revenue Comparison

Line	Income Item	Valley District 06-07 Budget	Conservation District 06-07 Budget	Total Costs to Public	Proforma Budget After Consolidation	Annual Revenue (Reduction) / Increase
1	Property Taxes	47,908,860	40,000	47,948,860	47,908,860	(40,000)
2	Groundwater Assess.	-	417,000	417,000	-	(417,000)
3	Mining Revenue		996,000	996,000	996,000	-
4	Wash Plan Reimburs.		20,000	20,000	20,000	-
5	CWP Project Mgr.		30,000	30,000	-	(30,000)*
6	Construction Fund	4,000,000		4,000,000	4,000,000	-
7	SARI Brine Line Cap.	840,960		840,960	840,960	-
8	Baseline Feeder	458,994		458,994	458,994	-
9	Water Sales/Use	4,753,930		4,753,930	4,753,930	-
10	Grant Income	600,000		600,000	600,000	-
11	Admin. Fund Trans.	3,410,500		3,410,500	3,410,500	-
12	Interest	2,298,124	260,000	2,583,124	2,558,124	25,000
13	Return of Bond Cover	2,500,000		2,500,000	2,500,000	-
14	Rental Income	1,000	43,000	44,000	1,000	(43,000)
15	COP Payments	840,000		840,000	840,000	-
16	Reserves	6,219,971		6,249,971	6,249,971	-
17	Other	750,000		750,000	750,000	-
	Total Revenue	**$74,582,339**	**$1,786,000**	**$76,368,339**	**$75,893,339**	**($475,000)**
				Annual Revenue for Basin Management Account		**$1,311,000**

*** Not included in sum**

Valley District currently receives a portion of the one-percent property tax revenue for all parcels within its boundaries, as does Conservation District. In order to avoid a "doubling up" of property tax revenue that would accrue to Valley District for parcels within the current Conservation District boundary, Valley District anticipates that it will forego its claim to this tax revenue during the negotiation of a tax sharing agreement with the County of San Bernardino as shown on Line 1 of Table 5.2.

Under its principal act, Valley District may not levy and collect groundwater assessments. Therefore, the consolidation will result in an estimated $417,000 annual savings to the public based on Fiscal Year 2006-2007 data as shown on Line 2. These assessments are currently levied by the Conservation District at a rate that requires payments of $597,000 from the groundwater producers within the Conservation District boundary. However, a portion of the

charges collected are refunded at the discretion of the Conservation District Board. In the Conservation District current year's budget, $180,000 is expected to be refunded to the groundwater producers. Therefore, the net collection of groundwater assessments of $417,000 is shown in the revenue table.

The $30,000 revenue shown in the Conservation District budget for the Cooperative Water Project (CWP) - Project Manager activities will no longer be realized. Under the approved terms of the CWP Agreement, this expense is now paid by Valley District. However, once a consolidation is implemented the transfer will no longer be required because the employees performing the flow reporting will be on the Valley District payroll. This revenue is not included in the total revenue reductions because there is an offsetting entry in the expense budget. It is anticipated that the agency that is assigned by the Management Committee and approved by Valley District to perform the Project Manager duties will contract with Valley District for the use of these employees' time. This assumption is made based on the fact that the two Conservation District field employees are the most knowledgeable and qualified to continue to provide this service.

Interest revenues are shown on Line 12 of Table 5.2. It is anticipated that slightly more interest will be earned as a result of the proposed consolidation. In addition to the Local Agency Investment Fund (LAIF) utilized by Conservation District, Valley District invests certain reserves in Government Securities backed by the full faith and credit of the United States. These types of securities typically provide a 50 basis point (0.5%) advantage over the LAIF investment used by the Conservation District resulting in a conservative estimate of $25,000 in additional annual interest revenue for a total of $285,000.

Based on the financial analysis discussed above, ongoing revenues will be more than adequate to fund current Conservation District activities in the future. By subtracting the net revenue reductions from the net cost reductions the net annual proceeds from the proposed consolidation are as follows:

Ongoing Annual Cost Reduction	$700,000
Annual Revenue Reductions	-$475,000
Net Annual Proceeds from Consolidation	**$225,000**

After accounting for expense reductions and revenue reductions, the proposed consolidation provides an additional $225,000 per year over that amount required to continue the Conservation District's activities as shown in their current budget. This annual amount will be combined with the one-time savings determined above and placed in the segregated Basin Management Account to be used exclusively to fund recharge efforts and other basin-related operations as required by the MOUs between Valley District and the City of Redlands and Valley District and the City of Riverside and WMWD.

After consolidation, the primary source of revenue used to fund the groundwater recharge services will be the royalties from mining supplemented by other income including interest generated from reserves and mining advance deposits. It is, therefore, important to analyze the stability of these revenue sources to ensure that the ongoing groundwater recharge activities can be preserved.

Mining royalty revenue is based on the quantity of material mined, which is subject to change based on external economic conditions. However, the availability of alternate extraction sites is limited, and the extracted material is in high demand. Therefore, with the exception of a change in regulatory conditions, the potential for a significant decrease in mining revenues in the foreseeable future is minimal. Anticipating a regulatory change would be speculative at this point in time as there is no indication that mining activities would be limited. Further, one of the objectives of the Wash Plan is to ensure that mining activities necessary to promote the economic viability of the region are sustained. In fact, the State of California classifies the wash area as a Class 2 Mineral Resource Zone (MRZ). This designation indicates that adequate information exists to determine that the area contains significant mineral deposits and development should be controlled.

Conservation District has lease agreements with three entities: Cemex, Redlands Aggregate and Robertson's Ready Mix. The Cemex lease provides for royalty payments on each ton of material mined from the site. The current royalty rate is $0.45 per ton. On June 1, 2016, the royalty rate will be set at the Fair Market Value Royalty Rate, with a minimum of $0.35 per ton. This lease also provides additional payments, in the form of minimum rental (currently $14,000 per year), and for processing of materials mined outside of the lease area ($0.05 per ton). Cemex has the option to extend the lease in five-year increments, in its current form, to June 1, 2046.

The Redlands Aggregate lease agreement requires that 5-percent of the sale price of each ton of material sold is paid in royalty to Conservation District. The leaseholder is required to pay a minimum of $36,000 per year in royalty payments regardless of the actual amount of material sold. This lease may be extended in five-year increments, with its current terms, to December 20, 2019, and extended with renegotiated terms to December 20, 2044.

In 1993, Robertson's Ready Mix prepaid royalties of $5 million in anticipation of mining the first 12 million tons from an area leased from Conservation District. Thereafter, Robertson's will pay the Fair Market Value Royalty Rate for each ton excavated, provided that the rate will begin at a minimum of $0.50 per ton with a maximum of $0.55 per ton. This rate shall be revised every five years to be consistent with changes in the Consumer Price Index. Permits from other state and local agencies for mining the lease area have not been obtained by Robertson's. As part of the Wash Plan, the existing lease area will be exchanged for other

property in the Wash, and permits will be sought for mining on the exchanged property. The Robertson's lease term begins on a date determined by permits to be issued under the Wash Plan, which is expected to occur sometime in 2008. From that date, the lease term extends ten years, with Robertson's having the option to extend the lease in five-year increments, in its current form, for another twenty years. The lease provides that if Robertson's is unable to secure mining permits for the lease area within a defined period, the prepaid royalty shall be refunded, without interest. Because of this potential refund obligation, Conservation District has restricted use of the fund principal until such obligation is removed. Accordingly, Valley District will establish an appropriate restricted account for this prepaid royalty.

To provide further substantiation for the ability of mining revenues to continue to provide a reliable revenue source to fund important recharge operations, an analysis was performed using past mining revenue data provided by Conservation District. These annual revenue numbers going back to 1990 were normalized based on the current mining royalty rates to determine the amount of mining revenue that can be expected in the future. This analysis, that was provided as part of the Advisory Committee for LAFCO 2919 Report to the Commission, determined average annual revenues of $856,000 from mining could be expected in the future ($140,000 less than the current annual revenue budget from Conservation District budget). If this more conservative mining revenue estimate is applied to the annual revenue determined from Table 5.2 of $1,311,000, the amount of revenue available each year is 1,171,000 to continue to provide the services of the Conservation District, which is more than enough to cover the $1,080,000 of ongoing expenses of the Conservation District determined in Table 5.1.

5.3 BENEFIT TO RATEPAYERS AND TAXPAYERS

As discussed above, the proposed consolidation would result in a net financial gain to the ratepayers as well as taxpayers. As a result of verifiable efficiencies, overall costs to the public would be reduced annually by $700,000 without compromising groundwater recharge operations. Even assuming a reduction in mining revenue of $140,000 annually, Valley District expenses for recharge operations of $1,080,000 would be completely covered by mining and interest revenues of $1,171,000 into the foreseeable future. The groundwater assessment levied by the Conservation District would no longer apply, and the groundwater producers would realize a significant reduction in water costs.

6.0 TRANSITION PLAN

Valley District understands that an orderly, timely transition for the consolidation of the two districts is essential for the effective management of the region's water resources as well as to maximize the benefits which the consolidation will provide to the groundwater producers, ratepayers, and the public. In addition, the MOUs which Valley District has entered into with 1)

the City of Redlands and 2) the City of Riverside and WMWD place certain requirements on Valley District for the transition and future recharge operations. The following transition plan has been prepared in accordance with these agreements. Information on the Conservation District's assets and liabilities is based on data provided by the Conservation District in August 2006.

Valley District will assign Douglas Headrick, Deputy General Manager, to oversee and manage the transition. Mr. Headrick has direct experience with each of the key agencies through his previous tenure with the Conservation District and the City of Redlands. Mr. Headrick will direct staff to ensure that each of the functions is addressed in a timely manner. In addition to directing the transition efforts, Mr. Headrick, with input from the Advisory Board for Consolidation as described in Section 6.4, will prepare an operating plan and budget in accordance with the MOUs, attached as Appendices B and C, and the Basin Management Account structure as set forth in *Section 6.1*.

6.1 BASIN MANAGEMENT ACCOUNT

Valley District will establish a Basin Management Account in accordance with the MOUs referenced above. The Basin Management Account will be a segregated account that will only be used to fund recharge efforts in the Basin, including but not limited to reasonable staff costs and administrative expenses related to recharge efforts. The account will be supervised in a manner consistent with the Seven Oaks Accord by a committee composed of the City of Redlands, Valley District, the City of San Bernardino Municipal Water Department, the City of Riverside Public Utilities Department, and WMWD. Valley District will provide an annual report on the fund's operations to the parties of the Seven Oaks Accord and to all other water purveyors in the San Bernardino Basin Area. It is the intent of the parties to the MOUs that the Basin Management Account be used by Valley District, to the greatest extent consistent with sound basin management, to fund the actual costs of recharge projects rather than to fund studies of basin hydrology, lithology, or contamination.

The June 30, 2006 Balance Sheets for Valley District and Conservation District are shown together in *Figure 4 – Comparison of Un-Audited Balance Sheets*. Upon consolidation, the Balance Sheet for the Conservation District will become the Balance Sheet for the Basin Management Account and will be tracked separately from Valley District's other financial information. The $5,000,000 pre-paid mining royalty deposit will continue to be restricted as deferred revenue.

Valley District will place all funds held by the Conservation District as of the effective date of the consolidation as well as all revenues, rents and proceeds from assets and property owned into the Basin Management Account. All financial transactions related to the transition will be

recorded within this Account. All revenue, rents and proceeds being received or receivable over time by the Conservation District at the time of consolidation will also be placed into this segregated account. If all of the revenue accruing to the Basin Management Account in a given fiscal year is not needed in order to fund such recharge efforts in the Basin, the remaining revenue will accumulate in the account until needed. Although it is not expected to occur, if the Basin Management Account funds are depleted in the future, Valley District will continue to provide the resources necessary from its General Fund to continue the Conservation District's services.

6.2 TRANSFER OF ASSETS AND LIABILITIES

Upon the effective date of consolidation, Valley District will begin implementing an efficient transition plan in accordance with the goals of the consolidation. The preliminary plan for transfer of assets and liabilities is as follows:

Conservation District Current Assets
(as shown on the un-audited Balance Sheet dated June 30, 2006)

Current Assets	Balance at 06/30/2006	Transfer Action
1010-Bank of America-Checking	$122,907	Transfer to Basin Management Account
1020-Petty Cash	$200	Transfer to Basin Management Account
1030-LAIF	$8,646,728	Transfer $5 million to restricted account; Change ownership record on balance
1200-Accounts Receivable	$8,053	Notify accounts in writing regarding change
1205-Royalties Receivable	$112,098	Notify mining lessees regarding change; prepare lease amendments for signature
1206-Rent Receivable	$2,045	Notify tenants of change in writing; prepare lease amendments for signature

Current Assets	Balance at 06/30/2006	Transfer Action
1210-Interest Receivable	$59,255	Notify payor of change in writing

Conservation District Fixed Assets
(as shown on the audited Balance Sheet dated June 30, 2005)

Fixed Assets	Balance at 06/30/2005	Transfer Action
Redlands Plaza Property and Equipment – net	$355,425	Transfer title to Valley District; Declare as surplus property, sell asset
Land, buildings, paving – net	$269,093	Transfer title to Valley District; Declare as surplus property, sell asset
Vehicles – net	$22,926	Transfer title to Valley District
Field equipment – net	$8,309	Transfer title to Valley District where necessary
Wells – net	$316,060	Transfer ownership record with DHS to Valley District
Office Building and Land – net (2181 Mentone)	453,526	Transfer title to Valley District; Declare as surplus property, sell asset
Office equipment – net	$35,079	Transfer to Valley District administrative office

Conservation District Liabilities
(as shown on the un-audited Balance Sheet dated June 30, 2006)

Liabilities	Balance at 06/30/2006	Transfer Action
2190-Accrued Salaries and Benefits	$67,294	Record liability for Valley District - Conservation staff accrued vacation and sick time
2710-Notes Payable – Suburban	$19,065	Transfer title and note to Valley District

Conservation District Operating Revenues and Expenses
(as shown on the un-audited Balance Sheet dated June 30, 2006)

Revenues/Expenses	Transition Action
4020-Groundwater Charge	Notify groundwater producers of groundwater charge cessation; establish reporting protocol for groundwater production through effective date of consolidation
Operating Expenses to be eliminated as noted above in Table 4.1	Notify providers

Water Rights

Within one month of the effective date of consolidation, Valley District will initiate the process to transfer water rights of the Conservation District to Valley District. Within five (5) days of the effective date of consolidation, Valley District will send a letter to the State Water Resources Control Board withdrawing that portion of the Conservation District's water right application (No. 31371) relating to diversion of water from the Santa Ana River. In conjunction with these efforts, Valley District shall initiate the process to be named to the Big Bear Watermaster Committee.

Conveyance of Real Property to the City of Redlands

Per the MOU with the City of Redlands, the Mill Creek spreading basins that were formerly owned by Redlands shall be conveyed back to the City. The conveyance shall include the property originally held by the East Lugonia Water Company. The City of Redlands will operate these facilities in a manner consistent with the Seven Oaks Accord. The costs of operating the Mill Creek spreading basin shall be covered by disbursements from the Basin Management Account as identified in an annual operating budget prepared by Valley District.

6.3 EMPLOYMENT OFFERING

On the day following the effective date of consolidation, or the day complete personnel information is received from the Conservation District, whichever is later, Valley District will employ each employee of the Conservation District. All regular Conservation District employees shall become employees of Valley District with retention of salaries, seniority rights, vacation/sick leave accruals, and retirement benefits. The employment offer will include the pay rate and benefits, as well as a general job description and terms and conditions, such as vacation/sick leave accruals being transferred, accrual rates, etc. Valley District will compensate Conservation District employees at their same rate of pay with cost of living adjustments and step increases following standard Valley District policies. All benefits currently available to Valley District employees will be offered to Conservation District employees to ensure equity. The following benefits are currently offered by Valley District:

- Medical and Dental Insurance premiums paid
- Public Employees' Retirement System (PERS) 3% at 60 Plan
- Voluntary 457 Plan
- 96 hours per year of sick leave accrual
- 80-160 hours of vacation per year based on years of service
- 12 paid holidays per year
- Deductibles Reimbursement Plan

Valley District offers an enhanced benefit package over what is currently offered by the Conservation District. However, if there is any particular benefit that the Conservation District currently offers that is found to be an enhancement to that offered by Valley District, the enhanced benefit will be offered to all employees.

Valley District's General Manager will meet with Conservation District employees who opt to become employees of Valley District to ensure a smooth transition of all employees. It is the intent of Valley District to quickly integrate all Conservation District employees into its organizational structure to create a seamless, efficient operation. *Figure 5 – Consolidated*

Organizational Chart shows the general relationship and titles of the employees in the consolidated organizational structure.

6.4 ESTABLISHMENT OF AN ADVISORY BOARD

Upon LAFCO approval of the consolidation, Valley District intends to establish an Advisory Board for Consolidation. The Board will serve in an advisory role to the Valley District Board of Directors on issues directly related to groundwater recharge operations within the Santa Ana River and Mill Creek and the Big Bear Watermaster. The Board will be established with seven members consisting of the current Directors of the Conservation District on the effective date of the consolidation. To ensure an efficient transition, two Valley District Directors will be appointed as ex-officio members of the Advisory Board and will attend the meetings.

Valley District's intent in establishing the Advisory Board is to have access to and benefit from the knowledge and experiences of the Conservation District Directors in the future management of these recharge facilities. It is anticipated that this knowledge base will transfer to Valley District over time, and therefore the Valley District resolution establishing the Commission will include a sunset clause expiring four (4) years from the date of formation. The Commission will be limited to those current Conservation District Directors as noted above, and they will be eligible to serve for a period equivalent to their current elected term.

The Advisory Board for Consolidation meetings will be held quarterly at Valley District headquarters and will be open to the public. The Advisory Board will provide an annual report to the Valley District Board of Directors containing recommendations for funding of recharge facilities transferred as part of the consolidation. The Advisory Board will meet with the Valley District Board of Directors at least once a year to present its funding recommendations. The Board Secretary of Valley District will be assigned to be responsible for meeting notices, agenda distribution, and minutes. Commission Members will be compensated at a rate of $180 per meeting. Benefits will not be included, and no additional meeting or travel expenses are anticipated.

7.0 OPERATIONS OF SUCCESSOR DISTRICT

The consolidation of the Conservation District and Valley District will provide benefits to the people who are currently served by both districts. This section of the Plan for Service will provide further details as to how each service and function will be performed by the integrated staffs of the Conservation District and Valley District. The organizational chart that will guide

the integration of the staffs (Figure 5) shows the inter-relationships of the individual positions and functional teams in the consolidated structure.

7.1 EMPLOYEES' RESONSIBILITIES

To ensure the realization of all possible efficiencies, Valley District will implement a seamless employee transition of all Conservation District employees using the organizational structure shown in Figure 5. The experience, skill set, and career aspirations of each employee will be discussed with each employee to determine the appropriate position of responsibility within the Valley District organization. Based on the data available to Valley District, details of the general level of responsibilities of each of the nine current Conservation District positions are provided below.

General Manager: The Conservation District General Manager will be integrated into the executive management team of Valley District as the External Affairs Manager. As a member of this team, this person will be responsible for a variety of management duties mainly focused on establishing and maintaining relationships with external agencies including Federal and State governments. Additional responsibilities will be to monitor and report, to the Valley District General Manager, pertinent information regarding legislative activities. This position assignment is based on the past experience of the current Conservation District General Manager who held a similar position with Eastern Municipal Water District.

Assistant General Manager: The Conservation District Assistant General Manager will become a member of the Valley District management team as the Manager of Water Resources. Although this position is currently unfilled, it is anticipated, based on the experience and educational requirements in the job announcement, that someone qualified for this position would be well suited for the Manager of Water Resources position at Valley District. In this capacity, this person will perform project managerial duties associated with a variety of water resource planning projects. Examples of projects where this position would provide benefits include both those currently coordinated by the Conservation District like the Wash Plan and those of Valley District like the IRGMP. This person will work closely with the Valley District Engineering/GIS Team. Benefits to the public will result as this employee performs a certain amount of work currently covered by consultants at Valley District.

Director of Land Resources: The Conservation District Director of Land Resources will also become a member of the Valley District management team as Manager of Land Resources. This position will have responsibilities for projects with a focus on land resources and environmental planning including endangered species related issues. Although this position is currently unfilled, it is anticipated that, based on the experience and educational requirements in the job

announcement, someone qualified for this position would be well suited for the Manager of Land Resources position at Valley District. Benefits would be derived by having this additional skill set as part of the Engineering/GIS Team as a result of several ongoing environmental planning projects being coordinated by Valley District. The Wash Plan and Valley District's East Branch Extension Phase II are examples of projects where this skill set is necessary. This person will work closely with the Valley District Engineering/GIS Team. The public will derive benefits from the consolidation as this employee performs tasks that are currently accomplished by consultants at Valley District.

Assistant to the General Manager: The Conservation District Assistant to the General Manager will become the third new member of the Valley District management team. This person will be responsible for high level administrative tasks including Board and Commission support, document management, and accounting related duties. These duties are similar to those currently provided by this employee at the Conservation District. This person will work closely with the Valley District Administration Team.

Executive Assistant: The Conservation District Executive Assistant will become an integral member of the Valley District Administration Team as an Administrative Assistant with varied duties similar to those currently performed. These duties include report preparation, filing, and meeting support.

IT/GIS Administrator: The Conservation District IT/GIS Administrator will retain the same title and become a member of the Valley District Engineering/GIS Team. This person will perform tasks similar to those at the Conservation District including map preparation, data development, and quality control. Mapping functions for the Wash Plan and recharge facilities are examples of projects the IT/GIS Administrator will support.

Field Operations Specialist II: The Conservation District Field Operations Specialist II will become an integral member of the Valley District's Operations Team as an Operations Technician II. In this role, supervision of the maintenance and repair of the recharge facilities will remain the primary responsibility of this person. The many years of experience this employee brings to Valley District will not only be utilized for recharge operations, but also in the broader context of Valley District's operations. Further, cross training opportunities will be provided to this employee along with training for any licenses that may be required to operate Valley District facilities. The coordination of contractors performing maintenance work on the recharge facilities will also continue to be a responsibility of this position.

Field Operations Specialist I: The Conservation District Field Operations Specialist I will also become a member of the Valley District Operations Team. This person will be involved in tasks similar to those currently performed and the years of experience operating and maintaining

recharge facilities will be utilized to the benefit of the public. Recharge facility maintenance and repair will be the primary duties of this position with support to other Valley District operations and maintenance duties as appropriate. Cross training opportunities will be provided and any other training necessary to obtain licenses that may be required to operate Valley District facilities.

Administration Assistant (Part-time): The Conservation District Administration Assistant (Part-time) will become a Receptionist/Secretary for Valley District. This position will provide support to the front office functions at Valley District. This will include telephone support and other general administration duties.

7.2 SUCCESSOR DISTRICT PROJECT RESPONSIBILITIES

Each of the Conservation District employees listed above will be assigned duties that support the Valley District objective of providing efficient water management services to its constituents. As provided in Section 3.3 above, each of the Conservation District's services and activities will be continued by Valley District and integrated into its overall resource management programs. The General Manager is appointed by the Board of Directors and will be responsible for all activities. However, the teams of positions listed below will administer and coordinate the activities of each service or project. Each project is listed with the employees from both staffs who will provide primary and secondary support.

Table 7.1
Staff Project Support

Service/Activity	Staff Support
Surface Water Rights	• Deputy General Manager • Manager of External Affairs • Manager of Water Resources
Recharge Facility Operations and Maintenance	• Manager of Water Resources • Operations Manager • Operations Technician II • Operations Technician I

Service/Activity	Staff Support
Mining Leases	• Deputy General Manager • Manager of External Affairs • Manager of Land Resources
Upper Santa Ana River Wash Plan (Plan B)	• Deputy General Manager • Manager of External Affairs • Manager of Water Resources • Manager of Land Resources
Santa Ana River – Mill Creek Cooperative Water Project Agreement (Project Manager)	• Chief Engineer • Manager of Water Resources • Operations Technician II • Operations Technician I
Big Bear Watermaster	• Deputy General Manager • Manager of External Affairs • Manager of Water Resources
High Groundwater Mitigation and Integrated Management Program Demonstration Projects	• Chief Engineer • Manager of Engineering & Planning • Manager of Water Resources
Drought Mitigation Project	• Chief Engineer • Manager of Engineering & Planning • Manager of Water Resources
Integrated Regional Groundwater Management Plan/Water Facilities Master Plan	• Chief Engineer • Manager of Engineering & Planning • Manager of Water Resources
Institutional Controls Groundwater Management Program	• Deputy General Manager • Manager of Engineering & Planning • Manager of Water Resources
Valley District Operations	• Chief Engineer • Operations Manager • All other Operations Personnel
Orange County and Western Judgments	• Chief Engineer

Service/Activity	Staff Support
	• Manager of Engineering & Planning • Manager of Water Resources

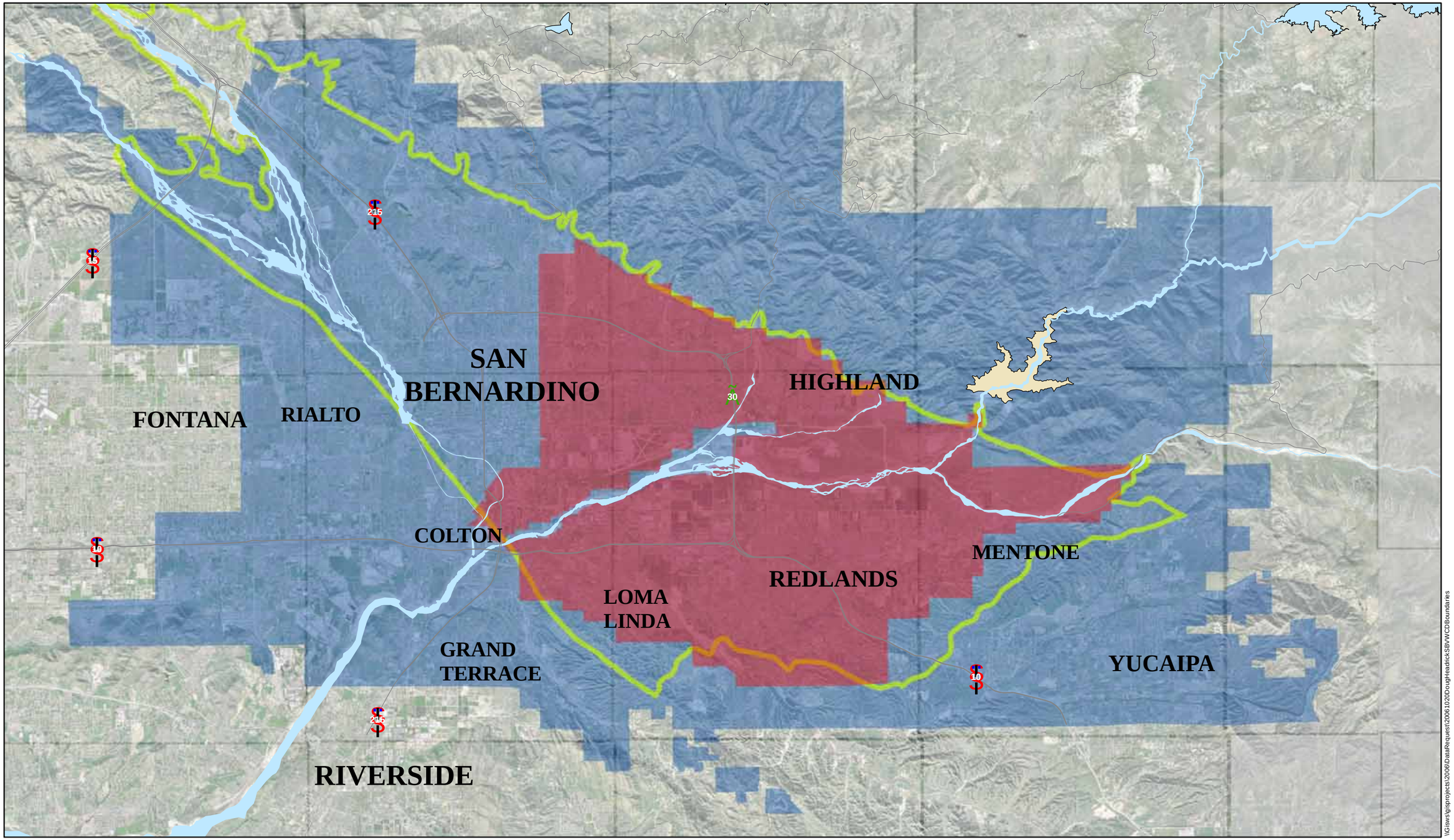
Table 7.1 does not provide a comprehensive list of all activities of Valley District that the combined staffs will be responsible to support. However, it does provide a listing of all the current Conservation District activities and several Valley District groundwater management activities that together demonstrate how the consolidated organization will effectively serve the needs of the public. Current Valley District personnel will be cross-trained by current Conservation District personnel so as to be able to operate all facilities that will be owned or operated by Valley District in the future. Similarly, all current Conservation District personnel will be cross-trained by current Valley District personnel so as to be able to operate all facilities that will be owned or operated by Valley District in the future. In this way, the consolidation will result in an integrated workforce, able to seamlessly perform all tasks required to provide the best possible service to the public.

8.0 CONCLUSION

This Plan for Service is part of the reorganization application submitted by Valley District as directed by LAFCO in Resolution 2893. It evaluates, from an organizational, resource management, and financial perspective, the potential issues associated with the consolidation of the Conservation District and Valley District. In agreement with LAFCO Resolution 2893, this Plan substantiates the benefits of the consolidation of the two districts based on significant water management and financial efficiencies.

The Conservation District provides groundwater recharge services in the eastern portion of the SBBA and administers or participates in a number of other activities. Once the proposed consolidation is approved, Valley District will assume the responsibility to continue each of these services and activities. In a variety of regional projects and planning programs, Valley District has demonstrated responsible leadership in managing water resources within the San Bernardino Basin Area using a balanced and proactive approach. This same approach will be applied to the Conservation District services as they are integrated into the larger Valley District programs.

The proposed consolidation of the Valley District and the Conservation District is expected to result in improved comprehensive water resource management and substantial financial efficiencies to the benefit of groundwater producers, the public and other municipal agencies. Every year, $700,000 in savings will be generated as a result of the more efficient consolidated organizational structure. Groundwater producers will see a direct and immediate savings through the elimination of the groundwater assessment currently levied and collected by the Conservation District. In addition, one-time income of over $3,120,000 will result from the implementation of the consolidation. All funds, one-time and ongoing, derived from the consolidation will be used exclusively to promote basin management activities, primarily groundwater recharge using native surface water.



San Bernardino Valley Water Conservation District Boundary
relative to the San Bernardino Valley Municipal Water District Boundary and the San Bernardino Basin Area

The San Bernardino Valley Municipal Water District has prepared and uses this information for its own purposes and it is not intended for, nor may it be suitable for, use by others. The information is provided "as is". Further information may be obtained by contacting the GIS Department by calling (909) 387-9275.

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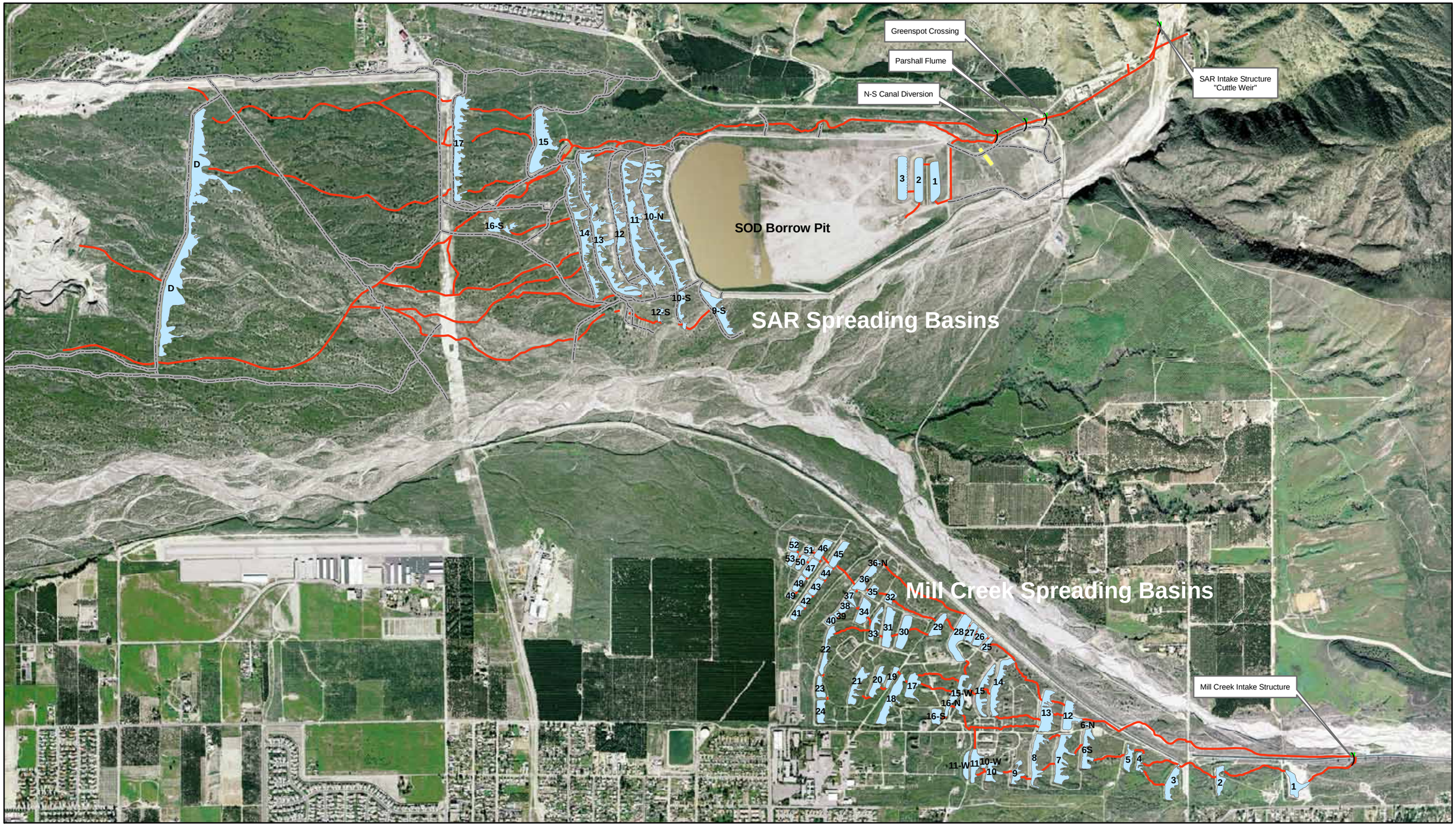
3-party specialty.

Feet
0 7,500 15,000 22,500 30,000

San Bernardino Valley Municipal Water District
R Peterson October 27, 2006

- San Bernardino Valley Water Conservation District Boundary (from SBCntyGIMS)
- San Bernardino Basin Area
- San Bernardino Valley Municipal Water District Boundary

Figure 1



San Bernardino Valley Water Conservation District (SBVWCD) Facilities

0 650 1,300 2,600 3,900 5,200 Feet

October 27, 2006

- Intake and Concrete Diversion Structures
- Existing Canals & Pipes
- SBVWCD Buried PVC Pipe
- Access Road
- Existing Spreading Basins

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FIGURE 2

San Bernardino Valley Water Conservation District
Facility Photographs

Main Santa Ana River Diversion Structure. The back of the Cuttle weir is shown to the left. The wooden gates are manually opened to allow water to flow into a concrete tunnel.

Culvert under Greenspot Road. The diverted water is conveyed in an open ditch under the road.

Parshall Flume. The water flow rate is measured and recorded at this facility.

Canal. The river water flows in unlined canals to the recharge ponds.

Recharge Pond/Basin. Water is allowed to pool up behind dikes for percolation.

Overflow Pipe. Water is transferred from one pond to the next through pipes and canals.

Figure 3

Comparison of Un-Audited Balance Sheets
June 30, 2006

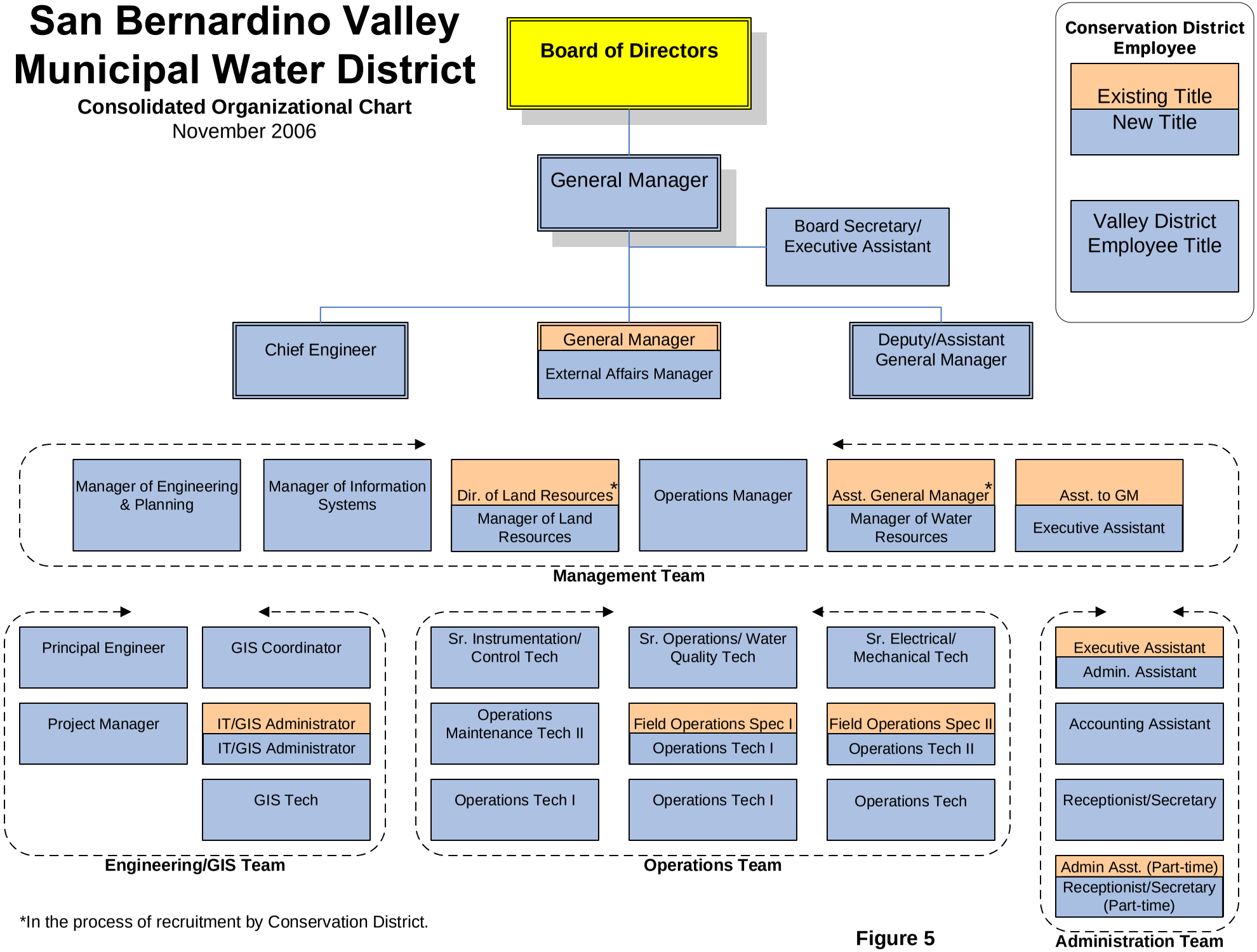
	Valley District	Conservation District
	June 30, 2006	June 30, 2006
Assets		
Current Assets		
Checking/Savings	$32,149,653.96	$8,769,834.95
Accounts Receivable	$115,632.50	$8,053.00
Other Current Assets	$79,361,219.47	$285,754.43
Total Current Assets	$111,626,505.93	$9,063,642.38
Other Assets	$6,416,220.80	$1,104,992.51
Total Other Assets	$6,416,220.80	$1,104,992.51
Total Assets	**$118,042,726.73**	**$10,168,634.89**
Liabilities & Equity		
Liabilities		
Current Liabilities		
Accounts Payable	$200.00	
Other Current Liabilities	$4,068,962.62	$67,294.00
Total Current Liabilities	$4,069,162.62	$67,294.00
Long Term Liabilities		
Reserve- SARI	$2,134,080.00	
Deferred Revenue	$0.00	$5,000,000.00
Notes Payable - Suburban	$0.00	$19,064.52
Total Long Term Liabilities	$2,134,080.00	$5,019,064.52
Total Liabilities	$6,203,242.62	$5,086,358.52
Equity		
Reserve for Insurance	$11,000,000.00	
Fund Balance		$4,266,857.68
Retained Earnings	$80,139,754.98	$473,334.30
Net Income	$20,699,729.13	$342,084.39
Total Equity	$111,839,484.11	$5,082,276.37
Total Liabilities & Equity	**$118,042,726.73**	**$10,168,634.89**

Figure 4

San Bernardino Valley Municipal Water District

Consolidated Organizational Chart

November 2006



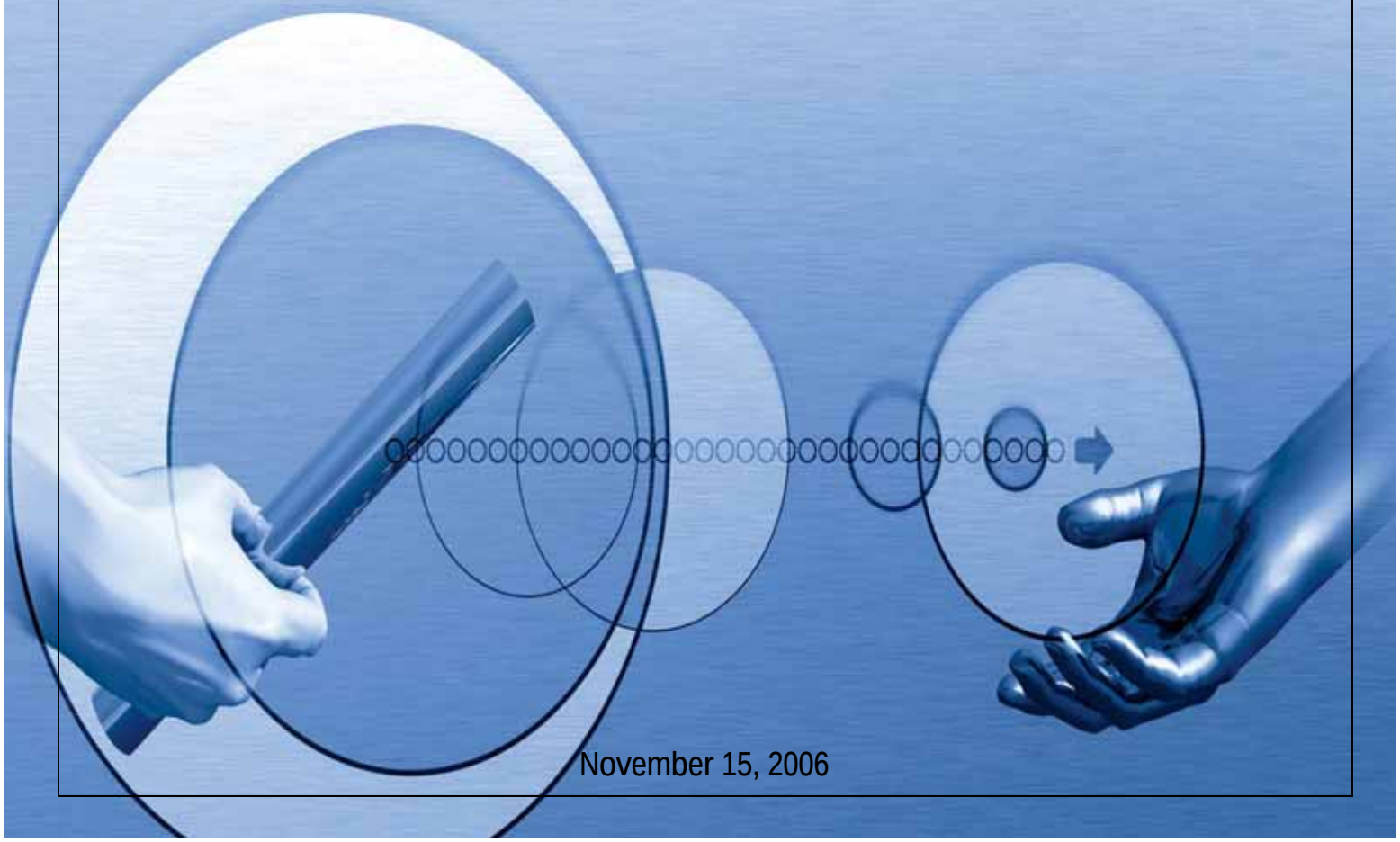
*In the process of recruitment by Conservation District.

Figure 5

APPENDICES

PLAN FOR SERVICE

Proposed Consolidation
of the
San Bernardino Valley Water Conservation District
and the
San Bernardino Valley Municipal Water District



November 15, 2006

Settlement Agreement
Among
San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District and Western Municipal Water District of Riverside County

This Settlement Agreement Among San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District and Western Municipal Water District of Riverside County ("**Agreement**") is entered into and effective this __ day of August, 2005. Each of the parties to this Agreement is referred to as "**Party**" and collectively the parties to this Agreement are referred to as the "**Parties.**"

Recitals

A. San Bernardino Valley Municipal Water District ("**Valley District**") and Western Municipal Water District of Riverside County ("**Western**") have filed Water Right Application Nos. 31165 and 31370 with the State Water Resources Control Board (the "**State Board**"), which applications seek to divert for beneficial use the waters of the Santa Ana River.

B. San Bernardino Valley Water Conservation District ("**Conservation District**") has filed Water Right Application No. 31371 with the State Board, which application also seeks to divert for beneficial use the waters of the Santa Ana River.

C. Valley District and Western have filed a protest with the State Board against the Conservation District's application and the Conservation District has filed a protest with the State Board against Valley District and Western's applications.

D. The Parties now wish to resolve their respective protests on mutually agreeable terms and to memorialize those terms in this Agreement.

Agreements

The Parties agree as follows:

1. *Agreement to Exhibit A.* The Parties agree to implement the terms and conditions set forth in Exhibit A, which is attached hereto and incorporated herein by reference.

2. *Amendment to Seven Oaks Accord.* The Parties will seek to amend the Seven Oaks Accord to include the Conservation District as a party and to include the following provisions, as well as the provisions of paragraph 1 above, in an amended Seven Oaks Accord:

    a. Bear Valley *et al.* would not object to diversions made under the Conservation District's two licenses, and

b. Bear Valley *et al.* would support changing the period of diversion of the Conservation District's licenses so as to permit diversions under those licenses on a year-round basis.

3. *Indemnification.*

a. *Indemnification by Conservation District.* The Conservation District shall indemnify, defend and hold harmless Valley District and Western, their directors, officers, employees and agents from and against all damages, liabilities, claims, actions, demands, costs and expenses (including, but not limited to, costs of investigations, lawsuits and any other proceedings whether in law or in equity, settlement costs, attorneys' fees and costs), and penalties or violations of any kind, which arise out of, result from, or are related to the diversion and/or spreading of water by Conservation District from either the Santa Ana River or Mill Creek. In particular, and without limiting the scope of the foregoing indemnification, the Conservation District shall indemnify, defend and hold harmless Valley District and Western, their directors, officers, employees and agents from and against all damages, liabilities, claims, actions, demands, costs and expenses (including, but not limited to, costs of investigations, lawsuits and any other proceedings whether in law or in equity, settlement costs, attorneys' fees and costs), and penalties or violations of any kind, which arise out of, result from, or are related to any spreading of water in a manner that is not consistent with the requirements of the annual groundwater management plan described in Exhibit A.

b. *Indemnification by Valley District and Western.* Valley District and Western shall indemnify, defend and hold harmless the Conservation District, its directors, officers, employees and agents from and against all damages, liabilities, claims, actions, demands, costs and expenses (including, but not limited to, costs of investigations, lawsuits and any other proceedings whether in law or in equity, settlement costs, attorneys' fees and costs), and penalties or violations of any kind, which arise out of, result from, or are related to the diversion and/or spreading of water by Valley District and Western from the Santa Ana River. In particular, and without limiting the scope of the foregoing indemnification, Valley District and Western shall indemnify, defend and hold harmless the Conservation District, its directors, officers, employees and agents from and against all damages, liabilities, claims, actions, demands, costs and expenses (including, but not limited to, costs of investigations, lawsuits and any other proceedings whether in law or in equity, settlement costs, attorneys' fees and costs), and penalties or violations of any kind, which arise out of, result from, or are related to any spreading of water in a manner that is not consistent with the requirements of the annual groundwater management plan described in Exhibit A.

c. *Indemnification Procedures.* Any Party that is an indemnified party (the **"Indemnified Party"**) that has a claim for indemnification against another Party

(the "**Indemnifying Party**") under this Agreement, shall promptly notify the Indemnifying Party in writing, *provided, however,* that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation unless (and then solely to the extent) the Indemnifying Party is prejudiced. Further, the Indemnified Party shall promptly notify the Indemnifying Party of the existence of any claim, demand, or other matter to which the indemnification obligations would apply, and shall give the Indemnifying Party a reasonable opportunity to defend the same at its own expense and with counsel of its own selection, *provided* that the Indemnified Party shall at all times also have the right to fully participate in the disputed matter at its own expense. If the Indemnifying Party, within a reasonable time after notice from the Indemnified Party, fails to defend a claim, demand or other matter to which the indemnification obligations would apply, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle (exercising reasonable business judgment), the claim or other matter, on behalf, or for the account, and at the risk, of the Indemnifying Party. If the claim is one that cannot by its nature be defended solely by the Indemnifying Party, then the Indemnified Party shall make available all information and assistance to the Indemnifying Party that the Indemnifying Party may reasonably request.

4. *Liquidated Damages*. The Parties recognize that it would be extremely difficult and impractical to ascertain the extent of detriment that could result from groundwater spreading in excess of or at times different from that called for in the annual groundwater management plan described in Exhibit A. The Parties have determined and agree that, in the event that a Party spreads water in excess of or at times different from that called for in the annual groundwater management plan, the Party engaged in such excess or untimely spreading shall pay the sum of $1,000 per acre-foot spread in violation of the annual groundwater management plan into a fund to be established and administered by Valley District for the development and implementation of the annual groundwater management plan under the auspices of the Seven Oaks Accord, including any amendment thereto, or successors thereto, or amendments to any successors thereto, which sum is believed by the Parties to be a reasonable estimate of the costs to water purveyors in the San Bernardino Valley of remedying such violation of the groundwater management plan. Nothing in the foregoing provision shall be construed in any manner to limit the amount of damages obtainable pursuant to an action to enforce the indemnification, defense or hold harmless provisions of paragraph 3 above.

Conservation District ____ Valley District ____ Western ____

5. *Term*. The terms and/or conditions of this Agreement, including those in Exhibit A hereto, shall continue in full force and effect until terminated by mutual agreement of all Parties hereto.

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

By: Cheryl Tubbs
President, Board of Directors

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By C. Patrick Milligan
President, Board of Directors

WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY

By S.R. Al Lopez
President, Board of Directors

Exhibit A

1. The Conservation District would:

   a. withdraw its protest of the Valley District/Western applications and not object to diversions made pursuant to permits issued for those applications;

   b. in the same way as Bear Valley *et al.* support those applications before the SWRCB and other regulatory agencies;

   c. grant Valley District/Western an access agreement/easement to use the Conservation District's facilities (including the Cuttle Weir and other intake structures) on a "space-available" basis to divert water pursuant to the Valley District/Western applications;

   d. not object to the diversion of up to the first 88 cfs of natural flow of the Santa Ana River by Bear Valley *et al.*;

   e. amend Water Right Application No. 31371 to limit diversions from the Santa Ana River to a maximum of 39,600 afy, which diversions would be in addition to diversions under License Nos. 2831 and 2832;

   f. agree to limit the spreading of all water diverted from the Santa Ana River and/or Mill Creek (including water diverted under License Nos. 2831 and 2832, Application No. 31371, and any claims of pre-1914 appropriative rights or riparian rights) so as to conform with the requirements of an annual groundwater management plan to be developed by Valley District and Western after consultation with the Conservation District and Bear Valley *et al.* (see below);

   g. agree that any extraction, sale or transfer of water spread under its water rights or under the water rights of others within the San Bernardino Basin Area would only be undertaken pursuant to the terms of the Cooperative Water Project agreement;

   h. have no right to extract, sell, or transfer water spread under its water rights outside the San Bernardino Basin Area, save with the prior written approval of Valley District and Western; and

   i. not waive any claims to riparian or pre-1914 appropriative water rights to divert water from the Santa Ana River or Mill Creek.

2. Valley District and Western would:

   a. consult with Conservation District (in the same fashion we consult with Bear Valley *et al.*) in the development of an annual groundwater management plan for the SBBA (see below), *provided* that Valley District and/or Western shall have a veto over the groundwater management plan for the purpose of ensuring that the groundwater management plan allows for maintaining the safe yield of the San Bernardino Basin Area and to meet their respective obligations in the Colton,

Riverside North and Riverside South Basins in accordance with the 1969 *Western* Judgment, and *provided further* that until the final groundwater model being developed as part of the San Bernardino Consent Decree process is completed, the Parties shall develop an interim groundwater management plan using existing knowledge and the existing Valley District/Western groundwater model;

b. attempt in the annual groundwater management plan simultaneously to satisfy several objectives:

(1) maximize the quantity of water spread each year at the Santa Ana River spreading grounds,

(2) establish and maintain a minimum 50-foot depth to groundwater in the Pressure Zone,

(3) maintain groundwater levels in the Forebay Area within 10 feet of the levels that would have occurred in the absence of the project, and

(4) otherwise avoid significant impacts on the environment;

c. subject to the Conservation District's agreement to comply with the annual groundwater management plan:

(1) withdraw our protest of the Conservation District's application as revised per paragraph 1(e) above and not object to diversions made pursuant to a permit issued for that application;

(2) support that application as revised per paragraph 1(e) above before the SWRCB and other regulatory agencies;

(3) not object to diversions made under the Conservation District's License Nos. 2831 and 2832, which diversions would be senior to any diversion of water by Valley District and Western under Water Right Application Nos. 31165 and 31370;

(4) support changing the period of diversion of the Conservation District's licenses so as to permit diversions under those licenses on a year-round basis;

x

3. All Parties would agree to the goal of coordinating the annual groundwater management plans developed by Valley District and Western under the Accord with the groundwater management program that is being developed by a number of parties (including Valley District and Western) to implement the consent decree in *City of San Bernardino v. United States.*

4. All Parties agree that all spreading will be as described in the groundwater management plan for that year and no spreading would take place without being authorized by the groundwater management plan. If there are opportunities for spreading at the Santa Ana River spreading grounds early in the water year (e.g., October though December) before the Parties can complete the groundwater management plan for that year, the Conservation District could spread the lesser of: (i) the average annual quantity spread during the 1934-35 to 1959-60 Base Period of the *Western* Judgment (4,941 afy) less any new spreading by Bear Valley *et al.* which was not being done during the Base Period or (ii) a quantity less than 4,941 af developed by the Western-San Bernardino Watermaster in its best professional judgment.

5. The priority of use of water would be as follows:

   a. Conservation District License Nos. 2831 and 2832 would have first priority.

   b. Valley District/Western Application No. 31165 would have second priority.

   c. Conservation District Application No. 31371 would have third priority.

   d. Valley District/Western Application No. 31370 would have fourth priority.

   e. If the water management plan for that year calls for spreading in the SAR spreading grounds beyond the 10,400 af in Licenses 2831 and 2832, Valley District/Western will step back and allow Conservation District to divert up to 39,600 afy under its new permit for spreading at the SAR spreading grounds in accordance with the water management plan.

   f. All spreading would be as described in the water management plan for that year and no spreading would take place without being authorized by the water management plan.

6. No Party's participation in the groundwater management plan's development, or agreement to operate under it, can be used by any Party to allege any forfeiture of any claimed water right.

Groundwater Management Plan Process

Paragraph 4 of the Seven Oaks Accord provides as follows:

> *Groundwater Spreading Program.* Applicants, after consultation with Water Users, shall develop and manage a groundwater spreading program that is intended to maintain groundwater levels at the wells specified in Exhibit G at relatively constant levels, in spite of the inevitable fluctuations due to hydrologic variation. The groundwater spreading program shall identify target water level ranges in the specified wells and shall be subject to the requirement that such spreading not worsen the problem of high groundwater levels in the Pressure Zone. The determination of whether a particular action will worsen groundwater levels in the Pressure Zone shall be made using the integrated surface and groundwater models used by Applicants in the environmental impact report for the Applications, as those models may be refined in the future.

The key word in this paragraph is the word "consultation" in the first sentence. Although the Seven Oaks Accord doesn't describe the process of consultation in detail, here's how we intend to consult with the Water Users (and Conservation District if we reach a settlement) in developing the annual management plan. Obviously, this process will change over time as our agencies collectively gain experience in managing the SBBA.

1. We intend to convene one or more meeting(s) of Valley District, Western, the Water Users and Conservation District no later than each October 1 to share information about the status of the SBBA and to develop a shared idea of how much water could be recharged in the event of a dry year, a normal year, or a wet year. These discussions would be like those that led to the interim spreading agreement this past fall.

2. By each October 15, Valley District and Western would develop a preliminary spreading plan for that water year using the SAIC/Geosciences model, as it may be refined over time. The plan would consider dry, normal and wet year scenarios and would attempt to identify spreading strategies for each year type. Valley District and Western would then circulate that preliminary spreading plan to all of the signatories of the revised Seven Oaks Accord for comments and refinements. It is in all of our collective interest to make the plan as effective as possible so Valley District and Western will be looking for any additional information from the Water Users or the Conservation District that can achieve our goals of keeping the SBBA as full as possible without causing high groundwater or other adverse environmental effects.

3. Based on comments from the Water Users and the Conservation District, Valley District and Western would issue a draft management plan by each November 15.

4. The parties to the Seven Oaks Accord would vote on whether or not to adopt the draft management plan by each December 1. The management plan would be adopted if it were approved by a two-thirds vote of a quorum of the parties to the Accord, provided that both Valley District and Western must approve any management plan. In other words, if the Conservation District were to be a party to the Accord, approval of an annual management plan

would require a minimum of four votes (if only five parties were in attendance) or a maximum of six votes (if every party attended).

5. If the parties are not able to adopt the draft management plan by each December 1, they would work cooperatively address any concerns and develop a revised proposal as soon as possible. If the parties cannot develop a proposal that receives support from two-thirds of a quorum by each January 1, the parties would implement any proposal that is approved by a majority vote of a quorum of the parties to the Accord, again provided that both Valley District and Western must approve any management plan. In other words, if the Conservation District were to be a party to the Accord, approval of an annual management plan after each January 1 would require a minimum of three votes (if only five parties were in attendance) or a maximum of five votes (if every party attended).

6. If spreading is possible before the date on which the parties approve an annual groundwater management plan, Valley District and Western would consult with our partners on a real-time basis and use our best professional judgment to direct the spreading of water in a manner that advances the goals of the annual management plan (see paragraph 2(b)). No party would spread water without Valley District and Western's prior consent.

Memorandum of Understanding Relating to the Service Review by LAFCO of the San Bernardino Valley Water Conservation District

This Memorandum of Understanding Relating to the Service Review by LAFCO of the San Bernardino Valley Water Conservation District ("MOU") is entered into and effective this ___ day of September, 2005 by and among the City of Riverside ("**Riverside**"), the San Bernardino Valley Municipal Water District ("**Valley District**") and the Western Municipal Water District of Riverside County ("**Western**"). Riverside, Valley District and Western are each referred to as a "**Party**" and are collectively referred to as the "**Parties.**"

Recitals

A. Riverside relies upon the extraction of groundwater from the Bunker Hill Basin for approximately seventy percent of the water it serves to its customers;

B. Valley District is required by the terms of the judgment in *Western Municipal Water District v. East San Bernardino County Water District* (Riverside County Superior Court No. 78426) ("*Western* Judgment") to maintain the safe yield of the San Bernardino Basin Area, including the Bunker Hill Basin, for the benefit of all producers, including Riverside and Western;

C. Because of their respective interests in the Bunker Hill Basin, the Parties wish to ensure the most effective and efficient management of that basin;

D. The San Bernardino County Local Agency Formation Commission ("**LAFCO**"), as required by Government Code section 56430, is engaged in reviewing the services provided by the San Bernardino Valley Water Conservation District ("**Conservation District**") and is considering whether a change in organization of the

Conservation District would serve the public interest in the efficient and effective provision of governmental services.

E. The Parties believe that the water spreading activities at the Conservation District spreading grounds are important to maintaining groundwater supplies in the Bunker Hill Basin;

F. The Parties further believe that Valley District can provide the groundwater recharge function of the Conservation District in a manner that eliminates the groundwater assessment initially saving the public approximately $600,000 in fiscal year 2005/06;

G. The Parties recognize and acknowledge that LAFCO has the sole and exclusive authority to consider and implement changes in the organization of special districts;

H. The purpose of this MOU is to set forth the Parties' understanding and agreement, with respect to: (i) Valley District's performance of certain groundwater recharge activities following Valley District's potential assumption of the Conservation District's obligations related thereto if Valley District is so directed by LAFCO, and (ii) certain groundwater basin management activities the Parties intend to pursue, regardless of any decision by LAFCO in connection with the proposed consolidation of the Conservation District with Valley District.

Understandings

1. *LAFCO Authority.* The Parties hereby acknowledge that LAFCO has sole and exclusive authority over the terms and conditions of any change in the organization of special districts in San Bernardino County and that nothing in this

MOU shall be construed so as to interfere in any way with the full and free exercise of that authority by LAFCO. It is the intent of the Parties that the terms of this MOU and the future agreements described in paragraph 4 below be construed so as to best implement any decision that LAFCO may make regarding the potential change in organization of the Conservation District. In the event that any provision of this MOU or the future agreements described in paragraph 4 below materially interferes with the implementation of LAFCO's decision on the services to be provided by the Conservation District or Valley District, that provision shall be stricken and the Parties shall negotiate in good faith to restore the balance of benefits and burdens contemplated by the Parties when they entered into this MOU, while removing any such interference with the implementation of LAFCO's decision. If a Party disputes whether a provision of this MOU materially interferes with the implementation of LAFCO's decision on the services to be provided by the Conservation District or Valley District or with respect to replacement language, that Party shall send written notice to the other Parties that a dispute has arisen and shall describe the dispute. The Parties' Authorized Representatives shall attempt to informally resolve the dispute. If the dispute is not resolved within thirty days after the delivery of the dispute notice to the Parties, then the Parties shall submit the dispute to mediation and arbitration in accordance with Paragraph 5.

2. *Recommendation to LAFCO.* Within five days of the effective date of this MOU, the Parties shall send a joint letter to LAFCO recommending that, if LAFCO determines the consolidation or other change in organization of the Conservation District to be in the public interest, LAFCO consider including the following terms and conditions as part of any such consolidation or other change in organization:

88 a. *Employment Security for Conservation District Employees*. All
89 employees of the Conservation District as of July 1, 2005 will be offered
90 employment at such public agency(ies) as may be directed by LAFCO.
91
92 b. *Abolition of Groundwater Assessment.* The groundwater assessment
93 currently levied by the Conservation District will be abolished as part of
94 any change in organization. Valley District shall not propose, endorse,
95 sponsor or support an election to approve nor legislation to authorize the
96 levy of another tax, assessment, or property-related fee or charge that
97 would fund recharge activities comparable to those historically performed
98 by the Conservation District without the consent of the producers in the
99 Bunker Hill Basin Area producing a majority of the Basin's average
100 production over the most recent rolling five-year period as shown in the
101 most recent *Western* Judgment report, which producers would be
102 identified by LAFCO as part of any decision. Nothing in this provision
103 should be construed as limiting Valley District's authority to increase its
104 existing sources of revenue (including, without limitation, its property tax
105 levy) without obtaining the consent of Bunker Hill Basin producers.
106
107 c. *Basin Management Account.* Valley District shall place all funds held by
108 the Conservation District as of the effective date of any consolidation or
109 other change in organization (except for any advance royalties paid to the
110 Conservation District by mining companies that were encumbered by bona
111 fide encumbrancers prior to any change in the Conservation District's
112 organization, or any other such encumbered funds) and all revenues, rents
113 and proceeds from all assets and property owned and all sources of
114 revenue, rents and proceeds being received or receivable over time by the
115 Conservation District as of the effective date of any consolidation or other
116 change in organization into a segregated account ("**Basin Management**

Account") that will only be used, unless otherwise unanimously agreed to in writing by the Authorized Representatives, to fund recharge efforts in the Basin, including but not limited to reasonable staff costs and administrative expenses related to such recharge efforts. If all of the revenue accruing to the Basin Management Account in a given fiscal year is not needed in order to fund such recharge efforts in the Basin, the remaining revenue shall accumulate in the Basin Management Account until needed; provided that the Authorized Representatives may unanimously agree in writing to expenditures from the Basin Management Account which benefit the Basin. Valley District shall provide an annual report and accounting on the Basin Management Account's operations and activities to the Parties and to all other water producers in the Basin. It is the intent of the Parties that the Basin Management Account be used by Valley District, to the greatest extent consistent with sound Basin management, to fund the actual costs of recharge projects rather than to fund studies of Basin hydrology, lithology or contamination.

d. *Exercise of Water Rights.* The water rights of the Conservation District shall be transferred to the Valley District. Valley District will exercise such water rights in a manner that: (i) maintains groundwater levels for the benefit of the domestic production wells in the geographic area historically served by the Conservation District at relatively constant levels and (ii) maximizes the use of native water supplies to replenish the Basin, without causing high groundwater problems in the artesian portion of the Basin, and without causing the migration of plumes of groundwater pollution that would result in significant degradation of the water quality in any domestic well. The Parties recognize and acknowledge that, without the implementation of measures to contain such plumes, the pollution contained in such plumes will move downgradient entirely apart

146 from any replenishment activities undertaken by the Parties. Valley
147 District shall spread water to ensure that groundwater supplies necessary
148 to support the safe yield of the Basin are maintained, pursuant to the
149 provisions of the *Western* Judgment.
150
151 e. *Withdrawal of a Portion of the Conservation District's Water Right*
152 *Application.* Valley District shall, within five days of the date of any final
153 order completing the consolidation of the Conservation District into
154 Valley District, send a letter to the State Water Resources Control Board
155 withdrawing that portion of the Conservation District's water right
156 application (No. 31371) relating to the diversion of water from the
157 Santa Ana River.
158
159 f. *Performance Standards.* Valley District and Western shall, upon issuance
160 by the State Water Resources Control Board of a water right permit for the
161 diversion and/or storage of water at Seven Oaks Dam and Reservoir,
162 implement the mitigation measures in the Seven Oaks Final EIR that were
163 included in that document in response to comments submitted by
164 Riverside.
165
166 3. *Term.* This MOU shall become effective upon execution by all Parties and shall
167 continue in effect unless cancelled in writing by all Parties.
168
169 4. *Future Agreements.* It is the intent of the Parties that this MOU further a
170 coordinated Basin planning process. To that end, the Parties agree to negotiate
171 the following agreements in good faith:
172
173 a. *Consolidation of Conservation District with Valley District.* In the event
174 that LAFCO determines, in its sole and absolute discretion, that the public

interest would be served by a change of organization that results in the consolidation or other change in organization of the Conservation District, with Valley District serving as the successor agency to the Conservation District in whole or in part, then the Parties will promptly take such steps as may be necessary in good faith to enter in an agreement to implement LAFCO's resolution making determinations and/or any other applicable orders, resolutions or decisions. To the extent practicable and not inconsistent with LAFCO's final order, such agreement shall incorporate the substance of paragraphs 2(b), 2(c), 2(d), 2(e) and 2(f) above.

b. *Cooperative Agreement for the Use of State Project and Other Water.* The Parties shall engage in good-faith negotiations with the goal of reaching a long-term agreement relating to the purchase, storage, and sale to Riverside by Western of imported water stored in the San Bernardino Basin Area, and relating to storage, transport and delivery of conservation water from the Seven Oaks Dam project, and other sources of water that may become available to Riverside, under appropriate terms and conditions. The Parties agree that any such agreement will be consistent with the accounting methods developed by the *Western* Judgment watermaster over the past 35 years.

c. *Cooperative Agreement for the Use of Native Water.* The Parties shall consult with each other annually, on or about each April 15, to discuss the groundwater levels in the San Bernardino Basin Area and to determine whether they should recommend that the *Western* Judgment watermaster authorize an additional extraction agreement for that water year. Western and Valley District, acting in their collective capacities as the *Western* Judgment watermaster agree to notify all affected parties of the *Western*

Judgment watermaster's determination regarding additional extractions for the then current water year no later than May 15 of each such year.

d. *Modification of this MOU by Authorized Representatives*. The Parties recognize that this MOU is intended to create a framework for future discussions and agreements among the Parties relating to the cooperative management of water in the San Bernardino Basin Area and adjacent groundwater basins. The Parties further recognize that there will need to be a number of operational arrangements among the Parties in order to implement such an integrated water management program. In order to implement this MOU on a "real-time" basis so as to take advantage of hydrologic opportunities that may arise, the Parties hereby designate the following as their respective Authorized Representatives: the Director of Public Utilities for Riverside, the General Manager and Chief Engineer for Valley District and the General Manager for Western. The Authorized Representatives are authorized to enter into such written non-material modifications of this MOU as may be needed to achieve its purposes; *provided, however*, that the Parties agree that (i) the adoption and approval of the future agreements described in paragraphs 5(a), 5(b) and 5(c) above shall require formal action by each Party's governing board; and (ii) the Authorized Representatives shall have no authority to otherwise amend or modify this MOU.

5. *Dispute Resolution.* The Parties agree to use the following dispute resolution process:

a. In the event of the failure of the Parties to this MOU to reach agreement on any dispute, the matter shall be resolved by limited scope mediation and arbitration. The mediation and arbitration shall be conducted by

232 JAMS (sometimes referred to as the mediation service provider), and shall
233 be administered, to the extent practical in the San Bernardino office, or the
234 JAMS office closest to San Bernardino. In the event, for whatever reason,
235 JAMS is not available or lacks the necessary expertise, the Parties shall
236 first attempt to use the services of another judicially oriented service, such
237 as IVAMS, and use the American Arbitration Association only after all
238 other judicially based mediation and arbitration services have refused to
239 undertake the mediation and arbitration of the dispute.
240
241 b. The Parties shall promptly initiate the process when they have reached an
242 impasse with regard to any issues. The process shall require the mediation
243 of all disputes as a condition to the initiation of the arbitration process.
244 The mediator shall be selected by mutual agreement of all of the affected
245 Parties, and the cost of the mediator shall be borne on an equal basis by all
246 of the Parties to this MOU. In the event the Parties are unable to agree on
247 a mediator, the mediation service provider shall select a mediator with
248 civil judicial experience. The Parties shall meet and confer prior to the
249 mediation and provide to the mediator an agreed list of matters to be
250 resolved by the mediation. Unless all of the Parties to the mediation agree
251 otherwise, the only matters to be discussed at the mediation are those
252 matters submitted to the mediator following the meet and confer meeting
253 of the Parties. Time shall be of the essence during the process and all
254 Parties shall cooperate to promptly complete the process.
255
256 c. In the event the Parties are unsuccessful in resolving any or all of the
257 issues presented to the mediator, a limited scope arbitration shall be
258 conducted promptly following the completion of the mediation. The
259 mediation service provider shall provide to the arbitrating Parties a list of
260 available arbitrators. The Parties shall first attempt to agree on an

arbitrator having some background or expertise in water law, groundwater contamination or environmental clean-up matters, and failing to do such the mediation service provider shall select an arbitrator with complex civil judicial experience. The scope of the arbitration shall be limited to the issues presented to the arbitrator by the Parties to the arbitration. The Parties shall meet and confer prior to the arbitration and provide to the arbitrator an agreed list of issues to be resolved. The arbitrator shall be instructed that the only issues for decision are those issues presented by the arbitrating Parties, and that the arbitrator shall comply with California law, unless the subject matter specifically relates to a federal issue. The arbitrator shall have no authority to award costs or attorneys' fees. Each Party agrees that the costs of arbitration shall be shared equally by the Parties and that each Party shall bear their own attorneys fees and preparation costs. Time shall be of the essence during the arbitration process.

d. The decision of the arbitrator shall be binding as to those matters presented for determination. Any matters included in the decision of the arbitrator outside the issues presented for determination, including without limitation awards of costs and attorneys fees, shall be unenforceable and not binding on the Parties. In the event an arbitrator attempts to include matters or issues outside the scope of the arbitration or any Party fails to abide by the terms of this MOU limiting the scope of the arbitration, any other Party shall have the right to file an action for declaratory relief in the Superior Court of either Riverside or San Bernardino Counties, seeking enforcement of the provisions of this MOU limiting the scope of arbitration.

6. *Miscellaneous.*

a. *Third Party Beneficiaries.* There are no third party beneficiaries, intended or unintended, of this MOU.

b. *Entire Agreement.* This MOU supersedes any other prior writings and prior or contemporaneous oral agreements or understandings between the parties related to the subject matter of this MOU. This MOU fully integrates the Parties' agreement and understanding with respect to all matters covered herein. Each Party agrees that it has not relied on any fact, statement or representation other than as specifically recited herein.

c. *Amendments.* No agreement to vary, modify or amend of this MOU shall be effective unless in writing and executed by persons duly authorized by the Parties.

d. *Effective Date.* This MOU shall be effective on the date last executed by a Party as indicated by the date first written above.

----------SIGNATURES ON FOLLOWING PAGE----------

----------SIGNATURE PAGE----------

CITY OF RIVERSIDE

By: _____ 10-21-05
Bradley J. Hudson
City Manager

Attest:

By: _____
Colleen J. Nicol
City Clerk

APPROVED AS TO FORM
_____ 10/18/05
SUPERVISING DEPUTY CITY ATTORNEY

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____
C. Patrick Milligan
President, Board of Directors

WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY

By: _____
S.R. "Al" Lopez
President, Board of Directors

Memorandum of Understanding
Relating to the Service Review by LAFCO
of the San Bernardino Valley Water Conservation District

This Memorandum of Understanding Relating to the Service Review by LAFCO of the San Bernardino Valley Water Conservation District ("MOU") is entered into and effective this 2nd day of August, 2005 by and between the City of Redlands ("**Redlands**") and the San Bernardino Valley Municipal Water District ("**Valley District**"). Redlands and Valley District are each referred to as a "**Party**" and are collectively referred to as the "**Parties**."

Recitals

A. Redlands relies upon the extraction of groundwater from the Bunker Hill Basin for approximately 50% of the water it serves to its residents, which percentage is expected to increase in the future;

B. Valley District is required by the terms of the judgment in *Western Municipal Water District v. East San Bernardino County Water District* (Riverside County Superior Court No. 78426) to maintain the safe yield of the Bunker Hill Basin for the benefit of all Non-Plaintiff parties under the judgment, including Redlands;

C. Because of their respective interests in the Bunker Hill Basin, the Parties wish to ensure the most effective and efficient management of that basin;

D. The San Bernardino County Local Agency Formation Commission ("**LAFCO**"), as required by Government Code section 56430, is engaged in reviewing the services provided by the San Bernardino Valley Water Conservation District ("**Conservation District**") and is considering whether a change in organization of the

Conservation District would serve the public interest in the efficient and effective provision of governmental services.

E. The Parties believe that the water spreading activities at the Conservation District spreading grounds are important to maintaining groundwater supplies in the Bunker Hill Basin;

F. The Parties further believe that Valley District can provide the groundwater recharge function of the Conservation District in a manner that eliminates the groundwater charge and so will save the residents of the San Bernardino Valley approximately $600,000 in fiscal year 2005/06;

G. The Parties additionally believe that the consolidation of the Conservation District into Valley District will allow for the more effective management of the Bunker Hill Basin under the auspices of the Seven Oaks Accord, of which the Conservation District is not a party;

H. On July 19, 2005, the City Council of Redlands voted to direct staff to enter into negotiations with Valley District that are intended to reach agreement on the terms and conditions under which Redlands' interests in Bunker Hill Basin as a large part of its water supply could be assured if LAFCO independently determines that the Conservation District should be consolidated into Valley District;

I. On July 20, 2005, the Board of Directors of Valley District, in response to LAFCO's request, considered taking a position with regard to consolidating the Conservation District into San Bernardino County Flood Control District, consolidating into Valley District, expanding Conservation District's sphere of influence to cover the entire Bunker Hill Basin, or suggesting no change. During consideration of this item, Valley District Board Members requested additional information, including the terms and conditions under which Redlands would agree that its water supply interest in the Bunker

61 Hill Basin would be protected if LAFCO determines that the Conservation District should
62 be consolidated into Valley District; and
63
64 J. The Parties recognize and acknowledge that LAFCO has the sole and
65 exclusive authority to consider and implement changes in the organization of special
66 districts. The purpose of this MOU is to better implement any decision that may be made
67 by LAFCO in connection with its review of the services provided by the Conservation
68 District.
69
70 Understandings
71
72 1. *LAFCO Authority.* The Parties hereby acknowledge that LAFCO has sole and
73 exclusive authority over the terms and conditions of any change in the
74 organization of special districts in San Bernardino County and that nothing in this
75 MOU shall be construed so as to interfere in any way with the full and free
76 exercise of that authority by LAFCO. It is the intent of the Parties that the terms
77 of this MOU and the future agreement described in paragraph 4 below be
78 construed so as to best implement any decision that LAFCO may make regarding
79 the potential change in organization of the Conservation District. In the event that
80 any provision of this MOU or the future agreement described in paragraph 4
81 below interferes with the implementation of LAFCO's decision on the services to
82 be provided by the Conservation District, that provision shall be stricken and the
83 Parties shall agree on a substitute provision that is as close as possible to the
84 stricken provision but that is consistent with LAFCO's decision on the services to
85 be provided by the Conservation District.
86
87 2. *Recommendation to LAFCO.* Within five days of the effective date of this MOU,
88 the Parties shall send a joint letter to LAFCO recommending that, if LAFCO
89 determines the consolidation or other change in organization of the Conservation
90 District to be in the public interest, LAFCO consider including the following

terms and conditions as part of any such consolidation or other change in organization:

a. *Employment Security for Conservation District Employees.* All employees of the Conservation District as of July 1, 2005 will be offered employment at Redlands or Valley District as may be directed by LAFCO.

b. *Abolition of Groundwater Assessment.* The groundwater assessment currently levied by the Conservation District will be abolished as part of any change in organization. Valley District may not propose an election to approve the levy of another tax, assessment, or fee/charge without the consent of a majority of the members of the basin management committee described below and other producers in the San Bernardino Basin Area, which producers would be identified by LAFCO as part of any decision.

c. *Basin Management Account.* Valley District shall place all revenues (other than the groundwater assessment) currently being received by the Conservation District into a segregated account ("**Basin Management Account**") that will only be used to fund recharge efforts and other basin-related operations, including but not limited to staff costs and administrative expenses. The Basin Management Account shall be supervised in a manner consistent with the terms of the Seven Oaks Accord by a committee composed of Redlands, Valley District, Bear Valley Mutual Water Company, East Valley Water District, the City of San Bernardino Municipal Water Department, the City of Riverside Public Utilities Department, Western Municipal Water District of Riverside County and any other producer from the San Bernardino Basin Area that LAFCO deems to be appropriate. Valley District shall provide an annual report on the fund's operations to the parties to the Seven Oaks Accord and to all other water purveyors in the San Bernardino Basin Area.

121
122 d. *Implementation of Plan B.* The Parties shall work cooperatively towards
123 the expeditious completion of the environmental document for the Santa
124 Ana River Wash Plan (**"Plan B"**) and the subsequent implementation of
125 Plan B. Nothing in this MOU shall prevent the Parties from amending
126 Plan B in cooperation with other Plan B member agencies to be consistent
127 with the Seven Oaks Accord or other efforts cooperatively to manage
128 water in the Bunker Hill Basin. Valley District shall serve as state lead
129 agency for the purpose of environmental review of Plan B.
130
131 e. *Conveyance of Real Property to Redlands.* The Mill Creek spreading
132 basins that were formerly owned by Redlands shall be conveyed back to
133 Redlands. This conveyance shall include the property originally held by
134 the East Lugonia Water Company. Redlands shall operate these facilities
135 in a manner that is consistent with the Seven Oaks Accord. The costs of
136 operating the Mill Creek spreading basis shall be covered by
137 disbursements from the Basin Management Account as described in an
138 annual operating budget pre-approved by Valley District.
139
140 f. *Water Rights.* The portion of the Conservation District's Water Right
141 Application No. 31370 that seeks the right to divert water from Mill Creek
142 shall be assigned to the Mill Creek Water Owners as part of the resolution
143 of Valley District's and Redlands' protests against that application.
144
145 3. *Term.* This MOU shall continue in effect until July 1, 2008 unless cancelled in
146 writing by both Parties prior to that date.
147
148 4. *Future Agreement.* In the event that LAFCO determines, in its sole and absolute
149 discretion, that the public interest would be served by a change of organization
150 that results in the consolidation or other change in organization of the

Conservation District, with Valley District serving as the successor agency to the Conservation District in whole or in part, then the Parties will promptly take such steps as may be necessary in good faith to enter in an agreement to implement LAFCO's resolution making determinations and/or any other applicable orders, resolutions or decisions.

CITY OF REDLANDS

By: _____
Susan Peppler
Mayor

Attest:

By: _____
Lorrie Poyzer
City Clerk

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____
C. Patrick Milligan
President, Board of Directors

INTEGRATED MANAGEMENT PROGRAM DEMONSTRATION PROJECT AGREEMENT

This Integrated Management Program Demonstration Project Agreement (Agreement) is between the San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, Western Municipal Water District of Riverside County, the City of San Bernardino Municipal Water Department, the City of Redlands, and East Valley Water District and effective from the date of execution by all parties to the Agreement (Parties).

RECITALS

WHEREAS, the Parties have various missions, but intend through this Agreement to provide a management structure for the purposes of (1) spreading native water as and when available; (2) spreading supplemental water when native water is not otherwise available to increase water levels in the upper basin (forebay); and, (3) managing recharge to avoid deleterious impacts in the pressure zone; and,

WHEREAS, there are pre-existing agreements or judgments that impose conditions on some or all of the Parties, including, the "Seven Oaks Accord," the Western Judgment, the 1977 Big Bear judgment and the "Exchange Plan"; and,

WHEREAS, the Parties intend that this Agreement will implement a demonstration program, pending the preparation and full implementation of the Integrated Management Program, as that term is defined in the "Seven Oaks Accord," and, as such, is intended to be of limited duration.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

TERMS OF AGREEMENT

1. This agreement shall have a term of one (1) year from execution by all Parties (Initial Term). The Initial Term may be extended by the consent of all Parties for four (4), one-year periods (Extension Terms). Unless all Parties make an express determination that the Agreement may extend beyond five (5) years, the Agreement shall expire at the end of the Extension Terms.

2. The Parties shall establish replenishment targets (Replenishment Targets) for recharge areas for the Initial Term. The Replenishment Targets established for the Initial Term are attached hereto as Exhibit "A". At any time that it is determined necessary, the Parties will review and revise the Replenishment Targets; provided, however, that at the beginning of each Extension Term, the Parties will meet and confer in good faith to review and revise the Replenishment Targets. Any revision to the Replenishment Targets will be incorporated as though set forth in full in this Agreement.

3. The Parties will meet and confer in good faith to prepare a mechanism for evaluating the effects of the proposed Replenishment Targets, using such technical tools and analyses as they may collectively develop. At a minimum, the Parties agree that the groundwater model prepared by United States Geological Survey (USGS) for SBVMWD will be utilized to determine potential effects. Additionally, available, current groundwater levels will be analyzed. The Parties may determine that additional data are required for analysis and, by mutual consent, develop technical memoranda setting forth the information that will be considered to re-evaluate the effects of Replenishment Targets.

4. The Replenishment Targets are not intended to be fixed limits. They are intended to serve as thresholds for additional review and analysis. In the event that any party to this Agreement requests a change to the Replenishment Targets, then all Parties to the Agreement shall meet and confer in good faith to evaluate the proposed change to spreading targets, using the evaluation methodology set forth in the technical memoranda that may be prepared as set forth in Paragraph 3. In order to change Replenishment Targets, the Parties must achieve consensus.

5. Notwithstanding any other provision in this Agreement, the Parties will meet quarterly, or more frequently as required, to discuss, review and analyze this demonstration program and its effectiveness.

6. This Agreement may be executed in counterparts.

7. This Agreement may be terminated with the written consent of all Parties.

8. This Agreement does not confer a benefit on any other person, corporation, organization, agency or municipality; no third party beneficiary is created through this Agreement.

9. This Agreement does not obligate funds on behalf of any Party.

10. No Party to this Agreement may use this Agreement, or any actions taken pursuant to this Agreement, as evidence in any pending water rights proceedings.

SAN BERNARDINO VALLEY
WATER CONSERVATION DISTRICT

By: Cheryl A. Tibbs DATE: 10/7/04

SAN BERNARDINO VALLEY
MUNCIPAL WATER DISTRICT

By: _____ DATE: 10-6-04

WESTERN MUNICIPAL WATER DISTRICT
OF RIVERSIDE COUNTY

By: _____ DATE: 10-6-04

CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT

By: _____ DATE: 10/6/04

CITY OF REDLANDS

By: _____ DATE: 10-6-04

Attest:

By: _____ DATE: 10-6-04

EAST VALLEY WATER DISTRICT

By: _____ DATE: Oct-6-04

Exhibit "A"

Recharge Areas	Total for Water Year 2004-05 Target Amounts from all sources (AF)	Total for Water Year 2004-05 Target Amounts from SWP Water (AF)	Initial (from Oct 1 till first 1" of rainfall)SWP Flow Rate Maximum CFS	Notes:
Santa Ana	16,500	6,000	15	
Mill Creek	10,000	4,000	10	
Redlands Airport/BV	1,500	400	5	
City/Plunge Creek	1,500	250	5	
Patton	500	250	5	
Devil Canyon/Sweetwater	6,000	5,000	15	
Badger	500	0	5	
Waterman	2,000	1,500	10	
Yucaipa-Wilson	1,500	0	5	
	40,000	17,400	75	
				Spread rates in areas that are operated by SBCFCD may vary based upon SBCFCD flood management/preparation activities.

Agency Consent for a one-year Extension Term under the Integrated Management Program Demonstration Project Agreement

Paragraph No. 1 of the Integrated Management Program Demonstration Project Agreement provides that "the Initial Term of the Agreement may be extended by the consent of all Parties for four (4), one-year periods".

The Parties to the agreement are the San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, Western Municipal Water District of Riverside County, the City of San Bernardino Municipal Water Department, the City of Redlands, and East Valley Water District.

At its Board of Directors meeting on October 5, 2005 the governing body of the San Bernardino Valley Municipal Water District, upon motion by Director Cupelm, second by Director Agnilar and affirmative vote of its members authorized and consents to extending the term of the agreement through September 30, 2006.

By: _____

Title: Board President

AGENCY CONSENT FOR A ONE-YEAR EXTENSION TERM UNDER THE INTEGRATED MANAGEMENT PROGRAM DEMONSTRATION PROJECT AGREEMENT

Paragraph No. 1 of the Integrated Management Program Demonstration Project Agreement provides that "the Initial Term of the Agreement may be extended by the consent of all Parties for four (4), one-year periods".

The Parties to the agreement are the San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, Western Municipal Water District of Riverside County, the City of San Bernardino Municipal Water Department, the City of Redlands, and East Valley Water District.

At its Board of Directors meeting on October 4, 2006 the governing body of the San Bernardino Valley Municipal Water District, upon motion by Director Bulot, second by Director Aguilar and affirmative vote of its members authorized and consents to extending the term of the agreement through September 30, 2007.

By: Robert L. Reith

Title: Gen. Mgr. and Chief Engr.

AGREEMENT

This Agreement is made on this 11th day of August, 2003, by and between San Bernardino Valley Water Conservation District ("District") and Robertson's Ready Mix, Ltd., ("Robertson's"), together "Parties" or individually, "Party".

RECITALS

A. District is a California water conservation district duly formed and operating under Sections 74000, et seq., of the California Water Code, and operating as a water conservation district, having as a purpose the recharge of ground water supply and maintenance of groundwater basins underlying its jurisdiction area.

B. Robertson's is a California limited partnership, duly formed and organized pursuant to the laws of the State of California, with its principal place of business in Corona, California. Robertson's engages in the business of excavating, processing, and selling rock, sand, gravel and other like substances ("Aggregates").

C. On or about October 5, 1992, the Parties entered into a Lease Agreement for Mineral Extractions ("Cone Camp Lease") pursuant to which Robertson's, on the satisfaction of certain conditions, would have the right to extract Aggregates from that property defined as the "Premises" in the Cone Camp Lease, and commonly referred to as "Cone Camp Quarry." A copy of the Cone Camp Lease is appended hereto, denoted Exhibit "A".

D. Some time in or about 1993, the Parties, together with other entities interested in mining, flood control, resource management and conservation, and municipalities, formed the Santa Ana River Wash Area Coordinated Planning Activities Committee ("Wash Committee") to address land use issues related to the Upper Santa Ana River Wash ("Wash").

E. The Wash Committee examined the most appropriate manner in which to use the Wash for the benefit of all landowners without regard to the existing interests in real property situated in the Wash. The Wash Committee determined that there should be a balance of land uses to accommodate the varied and competing concerns. The Wash Committee further determined that in order to achieve land use balance, the existing and potential uses must be reallocated among specific portions of the Wash.

F. Deliberations of the Wash Committee resulted in the drafting, circulation, and approval of a "Proposed Land Management and Habitat Conservation Plan for the Upper Santa Ana River Wash" ("Concept Plan"), which sets out concepts for realignment of mining, water conservation, recreation, habitat preservation, and other uses in the Santa Ana River Wash and was conceptually endorsed by all members of the Wash Committee, including the Parties. A copy of the Concept Plan as presently conceived is attached as Exhibit "B." This Concept Plan is subject to revision as the parties impacted continue to refine and negotiate its parameters. Implementation of the Concept Plan, as it may evolve over time, will require the formation of a Task Force, of which the Parties shall be members, to fund studies for environmental review of proposed mining, transfer of various property ownerships and lease interests, habitat conservation plans, recreational facilities, regional infrastructure, and water supply and conservation activities, and to implement such activities. A Task Force Agreement has been

prepared and circulated among applicable Wash Committee members, including the Parties, to guide and fund implementation of the Concept Plan. It has been reviewed and approved by the Parties, in the form attached hereto as Exhibit "C," and shall be executed by the Parties upon or prior to execution of this Agreement.

G. The Parties have found and determined that it is in their individual best interests to join together with other members of the Task Force to manage activities in connection with the planning, environmental review, and implementation of the Concept Plan (collectively the "Project").

H. The Cone Camp Lease requires that Robertson's "diligently and continuously take all actions necessary to obtain any and all licenses, permits, or other governmental entitlements.... required to accomplish the excavation purpose set out [therein]". There is currently pending before the city of Highland Robertson's application ("Cone Camp Application") for entitlements to mine Aggregates from the Cone Camp Quarry.

I. Robertson's has represented to the District that it has reached an agreement with Cemex Construction Materials, LP ("Cemex"), an entity engaged in business similar to that in which Robertson's is engaged, concerning the allocation, between Robertson's and Cemex, of the right to extract Aggregates from property which is contemplated for the excavation of Aggregates under the Concept Plan.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS CONTAINED HEREIN THE PARTIES AGREE AS FOLLOWS:

Section 1. Definitions.

In addition to capitalized terms defined elsewhere in this Agreement, the following terms shall be defined as follows:

1.1 "Effective Date" shall mean the date on which both Parties have executed the Task Force Agreement and this Agreement.

1.2 "Section," except as may be qualified to refer to the Cone Camp Lease, shall be deemed to be a reference to a portion of this Agreement.

1.3 "WPA" shall mean the Wash Planning Area, as that term is used and defined in the Concept Plan.

1.4 "Robertson's WPA Allocation" shall mean that portion of the WPA which is allocated, through written agreement between Robertson's and Cemex attached as Exhibit "D", to Robertson's for the mining of Aggregates. Robertson's agrees it must obtain approval from District for any substantial changes to this allocation prior to such changes being effective. Any change within the land acreage specifically dimensioned in Exhibit "D" as 1847' x 1303', that does not change the amount allocated to Robertson's for mining by more than 50% of the area of that dimensioned parcel, shall not constitute a substantial change; all other changes to the allocation agreement shall be considered substantial. The "Robertson's WPA Allocation" specifically excludes the real property located within the WPA and owned by Robertson's,

and/or its affiliate RRM Properties, Ltd., A California limited partnership, in fee as of the Effective Date.

1.5 "Premises Transfer Date" shall occur upon transfer of ownership of interest to the District of those portions of the WPA that fall within Robertson's WPA Allocation, and which, as of the date of this Agreement, are owned by the United States, through the Bureau of Land Management.

1.6 "Concept Plan Termination Date" shall mean any date prior to the Premises Transfer Date upon which either Party's participation in the Task Force Agreement shall have been finally terminated, as provided in Paragraph 23 of the Task Force Agreement, or upon dissolution of the Task Force pursuant to Paragraph 22 of the Task Force Agreement. Upon occurrence of the Premises Transfer Date, there shall be no Concept Plan Termination Date.

1.7 "Concept Plan Term" shall mean the period between the Effective Date and the occurrence of the earlier of the (1) Concept Plan Termination Date; or (2) Premises Transfer Date.

Section 2. Obligations During Concept Plan Term.

2.1 Prosecution of Concept Plan. The Parties, and each of them, agree that for so long as the Concept Plan, as may be modified consistent with the provisions of Section 2.3, below, but otherwise in substantially the same form as set forth in the Task Force Agreement, is being diligently and in good faith pursued, they will not, prior to January 1, 2006, terminate their participation under the Task Force Agreement pursuant to Paragraph 23 of the Task Force Agreement. Notwithstanding the foregoing, in the event that prior to January 1, 2006, Robertson's contribution to the total Task Force funding exceeds that required to be paid by CEMEX, or exceeds, by more than 0.25 percent of the total Task Force funding, that required to be paid by the District, Robertson's shall be free to exercise its rights of termination under Paragraph 23 of the Task Force Agreement. . During the Concept Plan Term each of the Parties shall use their best efforts to achieve the Premises Transfer Date; provided, however, that neither Party shall be considered to be in breach of this provision unless a party who believes that a breach has occurred first provides to the other Party written notice informing the notified Party of the specific nature of the alleged breach of this provision, the reasons therefore, the actions the notifying Party alleges must be taken to cure the alleged breach and provides to the noticed Party either, (a) reasonable opportunity to cure the breach, or (b) in the event the breach is of the nature that a cure cannot be promptly effected, reasonable opportunity to prepare and prosecute a plan pursuant to which the breach will be cured, or (c) in the event the alleged breach is one that cannot be cured, a good faith effort to meet and confer regarding whether mutually satisfactory alternative arrangements can be made. In the event of any dispute regarding either Party's alleged breach of this "best efforts" obligation, the matter shall be resolved through the binding arbitration mechanism set forth in Section 8.06 of the Cone Camp Lease.

2.2 Suspension of Robertson's Duty to Obtain Permits. During the Concept Plan Term, Robertson's obligations pursuant to paragraph 5.05 of the Cone Camp Lease, to diligently and continuously take all actions necessary to obtain any and all licenses, permits, or other governmental entitlements required to accomplish the excavation purpose set out in the Cone

Camp Lease, shall be suspended. Such suspension shall begin on the Effective Date and shall continue until the earlier occurrence of: A) the Premises Transfer Date or B) the Concept Plan Termination Date. Robertson's shall not pursue such licenses, permits, or other governmental entitlements for any excavation of any portion of the "Premises," as originally defined in the Cone Camp Lease, at any time during the Concept Plan Term.

2.3 District to Support Robertson's Attempt to Amend Concept Plan. Robertson's has advised District that during the Concept Plan Term, Robertson's will seek Task Force Approval to amend the present iteration of the Concept Plan, to expand the Concept Plan mining area to include additional property owned by Robertson's. District agrees that it will support Robertson's attempt to so amend the Concept Plan, provided it is consistent with District's water conservation and land management objectives.

2.4 Incorporation of Defined Terms into Cone Camp Lease. Beginning on the Effective Date hereof, the following terms, as they are defined herein, shall be deemed incorporated, as applicable, into the Cone Camp Lease: Premises Transfer Date, Concept Plan Term; Concept Plan Termination Date; Robertson's WPA Allocation; and Cone Camp Quarry.

Section 3. Rights and Obligations on Premises Transfer Date

3.1 Transfer of Premises. The Premises shall, upon the Premises Transfer Date, immediately and automatically be deemed to mean and refer to the Robertson's WPA Allocation and the Cone Camp Lease shall no longer apply to the Cone Camp Quarry. Upon the Premises Transfer Date, the parties shall prepare, and may record, such documents as may be necessary or appropriate to reflect the proper legal descriptions or other identification of the transferred Premises, but the transfer of the Premises from the area originally defined in the Cone Camp Lease to the Robertson's WPA Allocation shall not be conditioned or dependent upon such documentation, but rather shall occur immediately upon occurrence of the Premises Transfer Date.

3.2 Revival of Robertson's Duty to Obtain Permits on Premises Transfer Date. Immediately upon the Premises Transfer Date, Robertson's obligations pursuant to Section 5.05 of the Cone Camp Lease, to diligently and continuously take all actions necessary to obtain any and all licenses, permits, or other governmental entitlements required to accomplish the excavation purpose set out in the Cone Camp Lease, shall revive, and shall apply to the Robertson's WPA Allocation, as provided in Section 3.1 of this agreement.

3.3 Commencement Date on Premises Transfer Date. Immediately upon occurrence of the Premises Transfer Date, Section 1.01 of the Cone Camp Lease shall be automatically amended to read as follows:

> 1.01 Commencement Date. The Commencement Date of the Lease Term shall be the date sixty (60) days after occurrence of the Premises Transfer Date.

In applying the foregoing provision it is the intention of the Parties that in the event that Premises Transfer Date does not occur by January 1, 2007, the Cone Camp Lease shall not be terminated, but shall survive, subject to modification triggered by the happening of either Premises Transfer Date or Concept Plan Termination Date.

Section 4. Rights and Obligations on Concept Plan Termination Date.

4.1 Revival of Robertson's Duty to Obtain Permits on Concept Plan Termination Date. Immediately upon the Concept Plan Termination Date, Robertson's obligations pursuant to Section 5.05 (A) of the Cone Camp Lease, to diligently and continuously take all actions necessary to obtain any and all licenses, permits, or other governmental entitlements required to accomplish the excavation purpose set out in the Cone Camp Lease, shall revive.

4.2 Commencement Date on Concept Plan Termination Date. Immediately upon occurrence of the Concept Plan Termination Date, Section 1.01 of the Cone Camp Lease shall be amended to read as follows:

> 1.01 Commencement Date. The Commencement Date of the Lease Term shall, at Robertson's election, either be (x) the date sixty (60) days after the Concept Plan Termination Date, or (y) January 1, 2003, provided, however, that in no event shall District be required to refund any portion of the Phase I Payment before the expiration of one (1) full year following the date Robertson's provides to District written notice of its election hereunder. Robertson's election shall be made in writing and delivered to District prior to the 60th day following Concept Plan Termination Date.

In applying the foregoing provision it is the intention of the Parties that in the event that Concept Plan Termination Date does not occur by January 1, 2007, the Cone Camp Lease shall not be terminated, but shall survive, subject to modification triggered by the happening of either Premises Transfer Date or Concept Plan Termination Date.

Section 5. Mancino Property. Effective immediately upon the Effective Date, the original Cone Camp Lease shall be amended to exclude from the definition of "Premises" therein, all of the property more specifically described in Exhibit "E" hereto (the "Mancino Property").

Section 6. Waiver. Each of the Parties herein fully waives its right to claim that any act, omission, or inaction of the other Party, prior to the Effective Date, constituted: (a) a breach of any of the provisions of the Cone Camp Lease, or any obligation arising thereunder or in connection therewith, or (b) any basis for reformation or rescission of all or any part of the Cone Camp Lease, for which any relief, legal or equitable, and specifically, but not by way of limitation, monetary damages, were or could have been available, either as affirmative relief, or as an offset against any other claim. This waiver extends to all claims or causes of action, whether presently known or unknown, and in connection with such waiver, both parties specifically waive any operation or applicability of California Civil Code section 1542, which provides:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each Party represents and warrants it has consulted with counsel regarding the nature and consequences of waiving the operation of Civil Code section 1542, and knowingly and willingly has decided to waive it.

Section 7. No Obligation on Robertson's to Transfer. Robertson's execution of this Agreement, its execution of the Task Fore Agreement, anything expressed or implied in either document, and/or its participation in advancing the Concept Plan, whether taken individually or collectively in any combination, shall not be construed or interpreted to require Robertson's to transfer, encumber or agree to any use restrictions being placed upon any real property Robertson's owns in fee on the Effective Date; or to cause any such real property be transferred, encumbered, or restricted as to use. Nothing in this Section 7 affects or relieves Robertson's obligation to transfer the Premises, as provided in section 3 above, however.

Section 8. Notices. All notices required to be provided hereunder, shall be in writing, and either served personally or sent by United States Mail. For these purposes, the addresses for the Parties are as follows:

As to Robertson's Ready Mix, Ltd.	As to District
President Robertson's Ready Mix, Ltd. 200 South Main Street Suite 200 Corona CA 92878	General Manager San Bernardino Valley Water Conservation District 1630 West Redland Blvd., Suite A Redlands CA 92373

Notices shall be deemed delivered on the date of personal service or on the third day following deposit in the United States Mail. Any Party may change the address or person to whom notices are to be directed hereunder, by written notice to the other Party.

Section 9. Entire Agreement. This Agreement, in connection with the unaffected portions of the original Cone Camp Lease, contains the entire agreement of the Parties hereto with respect to the matters contained herein and supersedes all negotiations, prior discussions, and preliminary agreements or understandings, written or oral. No waiver or modification of this Agreement shall be binding unless consented to by the Parties in writing.

Section 10. Cooperation; Further Acts. The Parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. The Parties agree to act in good faith to execute all instruments, prepare all documents, and take all actions as may be reasonably necessary, appropriate or convenient to carry out the purposes of this Agreement.

Section 11. Governing Law. This Agreement shall be governed by and construed under the laws of the State of California.

Section 12. Attorneys' Fees. In an action or proceeding involving a dispute between the Parties arising out of this Agreement, including arbitration, the prevailing Party shall be entitled to receive from the other Party, reasonable attorneys' fees. The term "attorneys' fees" shall include reasonable costs for investigating the action, conducting discovery, cost of appeal, costs

and fees for expert witnesses, and all other normally allowable costs incurred in such litigation, whether or not such litigation is prosecuted to final judgment.

Section 13. No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

Section 14. Construction: Captions. The language of this Agreement shall be construed according to its fair meaning, and not for or against any Party hereto based on authorship. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

Section 15. Severability. Each provision of this Agreement shall be severable from the whole. If any provision of this Agreement shall be found contrary to law, it is the intention of the Parties that the remainder of this Agreement shall continue in full force and effect.

Section 16. Incorporation of Recitals. The Recitals are incorporated herein and made an operative part of this Agreement.

Section 17. Authority to Enter into Agreement. The Parties warrant they have all requisite power and authority to execute and perform this Agreement. Each person executing this Agreement on behalf of their party warrants that he or she has the legal power, right, and authority to make this Agreement and bind his or her respective Party, and that in so doing, such Party is not thereby in breach of any other contract or agreement.

Section 18. Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

Section 19. Assignment. Neither Party shall assign its rights or delegate its responsibilities hereunder without the express written consent of the other Party, which consent shall not be unreasonably withheld. This Agreement, including the rights of first refusal and options granted hereunder, shall be binding on all successors and is intended to and shall run with the land.

Section 20. Recordation. Within fifteen (15) days of the Effective Date, the Parties shall have this Agreement recorded with the County Recorder for the County of San Bernardino, State of California.

ROBERTSON'S READY MIX, LTD.,
a California limited partnership
By: Robertson's Ready Mix, Ltd.
a California corporation
Its General Partner

By: _____
Dennis Troesh
Its: President

July 29, 2003

Date: 8/11/03
SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT,
a political subdivision of the State of California

By: _____
Sterling Woodbury

12/20/
expires 2019

REDLANDS AGGREGATE LEASE

LEASE

This lease, entered into this 20 day of DECEMBER, 1984, by and between San Bernardino Valley Water Conservation District, a public and political subdivision of the State of California (herein "Lessor") and General Portland, Inc., a Delaware Corporation (herein "Lessee").

Witnesseth:

Premises Leased: That for and in consideration of the mutual covenants and obligations herein contained, and to be kept and performed by the respective parties hereto, the Lessor does hereby lease and let unto the Lessee, subject to the terms and conditions hereinafter set forth, all that certain real property (herein "Leased Premises") located in the County of San Bernardino, State of California, described as follows:

> The North One-half of the Southeast One-quarter of Section 11, Township 1 South, Range 3 West, San Bernardino Base and Meridian.

Initial Term: The initial term of the Lease shall be ten years to commence on December 20, 1984.

Option to Extend Term:

1. Lessee is hereby granted an option to extend the term of this lease for five (5) additional five-year (5-year) periods after the expiration of the initial term upon the rental structure set forth hereinbelow.

2. Further and in addition to the foregoing, Lessee is granted an option to extend this lease for five (5) additional five-year (5-year) periods after the expiration of the initial term and the extensions totaling 25 years set forth in Paragraph 1 hereinabove upon terms and conditions to be negotiated at that time.

Written notice of Lessee's intention to extend the lease as aforesaid shall be given to Lessor at least ninety (90) days prior to the expiration of the then current tenancy.

Removal of Material: During the term of this lease, the Lessee may, at its option, excavate and remove from the Leased Premises any rock, gravel, sand and other materials, located thereon and therein, which said rock, gravel, sand and other materials, upon being excavated and removed from the Leased Premises shall thereupon be and become the property of Lessee. Lessor hereby quitclaims, transfers and conveys to the Lessee any and all right, title and interest of the Lessor thereto. The place and location of the excavation of such rock, gravel, sand and other materials, shall first be approved by Lessor from time to time.

The Lessor hereby expressly reserves the right to use the Leased Premises for the spreading and sinking of water thereon at Lessor's sole discretion, provided however, that Lessor hereby represents to Lessee that it will use due diligence to

conduct said spreading and sinking operations with a minimum of interference to Lessee's operations as circumstances permit. It is expressly understood that the area adjacent to the Leased Premises and the Leased Premises is within the wash and bed of the Santa Ana River and its tributaries and has been and will be used by Lessor for the purpose of spreading and sinking water into the underground water basin. In the event of any loss or damage sustained by Lessee from Lessor's operations in so spreading and sinking water or from the flow of water from flood or otherwise, Lessee does hereby waive any and all damages or claims against Lessor resulting from or arising out of such operations or flow of water.

Initial Fee: Upon execution of this lease, Lessee shall pay to Lessor a non-refundable cash payment of twelve thousand dollars ($12,000).

Rent: Effective upon execution of this lease, Lessee shall pay rent which shall be the greater of a minimum yearly rental sum payable monthly or a royalty payment calculated upon sales of material removed from the premises. The royalty shall be the greater of a fee per ton sold or five percent (5%) of the FOB plant price per sale.

For each month, Lessee shall furnish to Lessor on or before the 18th day of the following month a written summary setting forth an accounting of each sale of material from the premises and calculation of the royalty therefore, to wit:

The tonnage sold multiplied by the appropriate fee per ton or five percent (5%) of the FOB plant price per sale, whichever is greater.

At such time in each year as the royalty amount, being the greater of five percent (5%) of the FOB price or fee per ton, exceeds the minimum rent for that year, Lessee shall pay rental appropriate to such royalty computation.

In the first year of the initial ten-year term, the minimum rental shall be twelve-thousand dollars ($12,000) payable monthly at one-thousand dollars ($1,000) per month, and the royalty computation shall be made at five percent (5%) of the FOB plant price or twelve cents (12¢) per ton of material removed, whichever is greater.

In the second and succeeding years of the initial ten-year (10-year) term, the minimum yearly rental shall be twenty-four thousand dollars ($24,000) payable monthly at two-thousand dollars ($2,000) per month, and the royalty computation shall be made at five percent (5%) of the FOB plant price or fifteen cents (15¢) per ton of material removed, whichever is greater.

In the first option period, if exercised to a maximum of twenty-five (25) years, the minimum yearly rental shall be thirty-six thousand dollars ($36,000) payable monthly at three-thousand dollars ($3,000) per month and the royalty computation shall be made at five percent (5%) of the FOB plant price or seventeen cents (17¢) per ton of material removed, whichever is greater.

Condemnation and Commercial Reasonableness: If any part of the premises shall be taken or condemned for a public or quasi-public use, and a part thereof remains which is reasonably susceptible of occupation hereunder, this Lease shall terminate as to the part so taken as of the date possession is obtained by the condemnor. In the event the part taken interferes materially with the excavation of sand and gravel from the premises, the minimum rental shall be reduced in the proportion that the value of the portion of the quarry taken bears to the value of the remaining quarry. If all of the premises shall be taken or condemned, or such part thereof that there does not remain a portion reasonably susceptible of use or occupation hereunder, this Lease shall thereupon terminate at Lessee's discretion.

If Lessee determines, from and after the commencement date of this Lease to the date Lessee commences extracting product from the Leased Premises for sale in a commercial manner, that the premises are not suitable for Lessee's operation, or if during such time Lessee is unable to obtain the necessary governmental consents, or the conditions on such governmental consents are unaccpetable to Lessee, then Lessee shall be excused from all further performance hereunder.

Use of Premises: It is contemplated that Lessee will establish a sand and gravel processing plant upon the Leased Premises and process sand, gravel and rock material mined on the Leased Premises or elsewhere for commercial sale. Royalty computation hereinabove set forth applies to material so processed and sold, regardless of origin. The word "removed" from the premises refers to such commercial production and sale.

At such time, if any, that Lessee does not operate a processing plant on the Leased Premises and only removes material therefrom by excavation for processing elsewhere, the same rental and royalty schedule shall apply as herein provided.

Compliance with Laws: Lessee shall maintain the premises, herein demised, in a clean and sanitary condition at all times. It shall faithfully observe all laws, ordinances, police and sanitary rules and regulations made by public authorities and the legislative bodies of the State of California, County of San Bernardino, and the United States, or by any other governmental body having jurisdiction over the same. Lessee shall comply with all ordinances or laws, rules or regulations, now or hereafter made, affecting said business or said premises.

Books of Account: The Lessee shall at all times keep and maintain full, complete and adequate books and records of

account, together with all weigh tags or records upon all material excavated and removed from the said property and premises. Said books, records and weigh tags shall be available and open for inspection by the Lessor, or its representative, at any and all regular business hours. Lessee shall furnish Lessor monthly a statement setting forth a record of material excavated and removed from said Lessee's plant site.

Liens: That the Lessee shall not incur or permit the incurring of any lien upon the land and premises hereby leased for material or labor in connection with any work or labor to be performed, or materials to be supplied, upon and to the said property and premises; and the said Lessee hereby indemnifies and agrees to hold the Lessor and the property and premises of the Lessor hereby leased free and clear from any material or labor or other lien during the term of this lease.

Assignment: Lessee shall not assign or sublet this Lease or any interest therein or in or to the Leased Premises or any part thereof without first obtaining the written consent of Lessor to each assignment or subletting. Such consent shall not be unreasonably withheld.

Taxes: That the Lessee shall promptly pay when due any and all taxes levied upon or against any and all materials excavated and removed from the said premises by the Lessee, together with any and all taxes and assessments levied upon any property,

fixtures, improvements or equipment placed upon the said premises and property by the Lessee.

Utilities: Lessee shall promptly pay when due all charges for any and all utilities supplied to the said property and premises.

Acceptance of Premises: That upon the acceptance of the possession and occupancy of the said property and premises by the Lessee, the same shall conclusively be deemed to be fit and proper for the purposes for which the same is hereby let and to be used, and the Lessor shall not be required in any manner or at any time thereafter to make any improvements or repairs upon the premises hereby leased.

Insurance: The Lessee shall at all times during the term of this lease keep and maintain public liability insurance upon the said premises, at the expense of the Lessee, with limits of liability of at least Three Hundred Thousand Dollars and One Million Dollars, and property damage insurance in the amount of at least Fifty Thousand Dollars, in such company or companies as are approved by the Lessor; said policy or policies, or a duplicate thereof, shall be delivered to the Lessor and held by the Lessor at all times. That said policy or policies shall name the Lessor and San Bernardino Valley Municipal Water District as one of the insured therein.

Removal of Improvements: Upon the termination of this lease and the faithful performance of each and all the covenants thereof, the Lessee shall have the right to remove from the said property and premises any and all machinery, fixtures, equipment, structures, buildings and improvements placed thereon, and shall have a period of six (6) months, after such termination, within which to complete the removal of such improvements. Upon any such termination if the Lessee does not elect to exercise such right, the Lessor may either require Lessee at Lessee's expense to remove all such improvements and restore the premises to a neat and orderly condition or elect to retake possession of the Leased Premises together with all such improvements which shall thereupon become the property of Lessor.

Access to Scales: Lessor shall at all times have full and free access to any weighing scales located upon the said property and premises which will, or may be, used to weigh any of the said material, and shall have the right to inspect and test the same, or cause the same to be tested and inspected.

Nuisance: That in the event that the said property and premises shall in any manner be used for, or in connection with, any purpose or use which constitutes a public nuisance in the sole and exclusive determination of the Board of Directors of the Lessor, written notice thereof shall be given by the Lessor

to the Lessee and the same shall be abated within sixty (60) days thereafter. In the event the same is not abated within said period, then and thereupon the continuation of said nuisance shall constitute a breach of this lease and the same may be terminated as herein provided.

Time of Essence: Time is the essence of this lease and if any rental shall become due and unpaid, or if any default shall be made in any of the covenants and obligations herein contained, or if a proceedings in bankruptcy, receivership or insolvency be instituted by or against the Lessee or his property, then the Lessor may, at his option, either with or without process of law, retake possession of said premises with or without notice to the Lessee, and this lease shall forthwith terminate and end.

Posting Notices: Lessor reserves the right to enter upon said premises at any and all reasonable times and shall have the right and privilege of posting any notice required by law to be posted upon said premises.

Notices: Any notice herein to be given to the Lessor shall be sufficient and complete upon depositing such notice in the United States mail, with postage prepaid and addressed to Lessor at 912-B New York Street, Redlands, California 92374; any notice herein to be given to the Lessee shall be sufficient and complete upon depositing

such notice in the United States mail, with postage prepaid and addressed to Lessee at 11611 San Vicente Boulevard, Los Angeles, California 90049. Either party hereto may change such address by giving written notice thereof to the other party. Personal service of any such notice will be sufficient and in lieu of notice by mail as hereinabove provided.

Attorney Fees: In the event that either party hereto shall institute action in Court in connection with this lease, the party prevailing or recovering judgment in any such action shall also be awarded a reasonable amount as and for attorney's fees therein, as shall be fixed and determined by the Court in any such action.

Non Waiver: The failure or omission of Lessor to terminate this lease for any violation of its terms, covenants or conditions, or the acceptance of the rent after it is due, shall not be deemed to be a consent to Lessor to such or any subsequent violation, or a waiver of any of the rights of said Lessor hereunder, and shall in no manner thereafter estop or prevent Lessor from terminating this lease for any subsequent violation of any term, covenant or condition hereof.

Holding Over: Should the Lessee hold over and continue in possession of said premises after the end of the term hereof with the expressed or implied consent of the Lessor, such holding

over shall be construed as a tenancy from month to month at the same rental and upon the same conditions as herein provided.

Indemifying District: That the Lessee hereby indemnifies and agrees to hold the Lessor free and harmless from any and all liability whatsoever arising out of, or in connection with, the use and occupancy of the said Leased Premises and property by the Lessee, and to defend any and all claims or actions brought against the Lessor in connection with, or arising out of, the operations of the Lessee upon and in connection with the said premises so leased, and to indemnify and hold the Lessor free and harmless from any and all expenses, claims or obligations in connection therewith.

Easement Over Northerly 60 Feet of North Half of Southeast Quarter of Section 10: Lessor further grants to Lessee for the term of this lease, a non-exclusive easement over the North 60 feet of the North One-half of the Southeast One-quarter of Section 10, T. 1 S., R. 3 W., SBB&M, for roadway purposes for ingress and egress to Orange Street, to and from the Leased Premises.

Easement Over Portion of Section 11: Lessor does hereby grant to Lessee an easement, 60 feet in width, over the following property:

The South One-half of the North One-half of Section 11;

The Northeast One-quarter of the Southwest One-Quarter of Section 11,

The North 982.08 feet of the Northwest One-Quarter of the Southwest One-Quarter of Section 11, all in T. 1 S., R. 3 W., SBB&M.

The exact location of the 60-foot easement shall be determined from time to time by mutual agreement.

In Witness Whereof, the parties hereto have subscribed their names hereto by and through their duly authorized officers.

ATTEST:

Secretary of the Board of Directors

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT, Lessor

By

President of the Board of Directors

GENERAL PORTLAND INC.

By

Jim Hurt, Vice-President, Gen

And

John C. Porter, Assistant Secretary

C. L. PHARRIS LEASE
CEMEX,

LEASE AGREEMENT

THIS LEASE is made and entered into, in duplicate, in the County of San Bernardino, State of California, on the 10th day of September, 1979, by and between THE SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT, a public and political subdivision of the State of California, herein designated as "Lessor," and C. L. PHARRIS SAND AND GRAVEL, INC., a California corporation, herein designated as "Lessee."

DESCRIPTION OF PROPERTY

1. A. Lessor is the owner of all that certain real property located in the County of San Bernardino, State of California described on Exhibit "A," attached hereto and incorporated herein by this reference, herein "Lessor's Property."

B. That part of Lessor's Property being initially leased to Lessee is described on Exhibit "A" as Parcels I-1, I-2, I-3, together with the three rights of way shown as Parcels I-3a and the exclusive (except for Lessor's right to use such easement) easement being shown as Parcel I-4, herein the "Pharris Leased Property," for purposes of this Lease such land consists of 548 acres.

C. Lessor prior to entry into this Lease Agreement, leased certain other parts of Lessor's Property pursuant to that certain Lease which was executed by Lessor and H. NORMAN JOHNSON,

JR., on March 17, 1961, and amended March 15, 1966, by a document executed by Lessor and H. NORMAN JOHNSON and E. MOE MC COOK, as Lessee, herein referred to as the "Johnson Lease," described as Parcels II-A, II-B, and II-C, together with the easement shown as Parcel II-D, as shown on Exhibit "A," herein referred to as the "Johnson Leased Property," for purposes of this Lease such land consists of 220 acres.

D. Pursuant to the Johnson Lease, Lessor granted to Lessee in said Johnson Lease a right of first refusal on Lessor's Property, on the property shown on Exhibit "A," as Parcels III-A and III-B, herein referred to as the "Johnson First Refusal Property," for purposes of this Lease such land consists of 155 acres.

E. Prior to the entry into this Lease Agreement, Lessor entered into a lease agreement which was executed by Lessor and TRI-CITY CONCRETE on June 15, 1966, herein referred to as the "Tri-City Lease," which such property is shown on Exhibit "A" as Parcels IV-A and IV-B, herein referred to as the "Tri-City Leased Property," for purposes of this Lease such land consists of 160 acres.

F. Pursuant to the Tri-City Lease, Lessor granted to Lessee in said Tri-City Lease a right of first refusal on Lessor's Property, on the property shown on Exhibit "A" as Parcel IV-C, herein referred to as the "Tri-City First Refusal Property," for purposes of this Lease such land consists of 80 acres

DEMISE OF PREMISES

2. For and in consideration of the mutual covenants and obligations herein contained and to be kept and performed by the respective parties hereto, Lessor does hereby lease and let unto Lessee, subject to the terms and conditions hereinafter set forth, the Pharris Leased Property, the Johnson Leased Property, and the Tri-City Leased Property, and makes the hereinafter defined further agreements as to the remainder of Lessor's Property.

TERM

548 ACRES

3. A. The term of this Lease as to the Pharris Leased Property shall be for the term of Fifteen (15) years, commencing on the first day of the first month during which Lessee removes sand, gravel, rock, or other minerals from the demised premises for sale for a commercial purpose, or on June 1, 1981, whichever first occurs, and shall end on the last day of the One Hundred Eightieth (180th) month thereafter. Lessor and Lessee agree to sign a certificate certifying the commencement date upon the actual commencement date of said lease term.

June 1 [illegible] 15 years

220 ACRES

B. The term of this Lease as to the Johnson Leased Property shall be for the term commencing upon the expiration date of the Johnson Lease but not later than March 31, 1991, and shall end concurrently with the end of the term set forth above in Paragraph 3. A. Lessor and Lessee agree to sign a certificate certifying the commencement date upon the actual commencement date of said lease term.

[illegible] make [illegible] the other date

C. The term of this Lease as to the Tri-City Leased Property shall be for the term commencing upon the expiration date of the Tri-City Lease but not later than May 8, 1991, and shall end concurrently with the end of the term set forth above in Paragraph 3. A. Lessor and Lessee agree to sign a certificate certifying the commencement date upon the actual commencement date of said lease term.

D. Lessor and Lessee agree that prior to excavation from any parcel of land under lease to Lessee, Lessor may use such parcels for activities such as dog races and other recreational activities. No such activity shall be allowed if it interferes in any way with Lessee's activities, in Lessee's sole discretion, nor shall it occur on any parcels being excavated by Lessee. Upon completion of any excavation activities, Lessor shall allow such activities to continue so long as it does not interfere, in Lessee's sole discretion, with Lessee's business.

OPTIONS

4. A. OPTION ON JOHNSON FIRST REFUSAL PROPERTY. So long as Lessee shall not be in a material breach of this Lease, or shall cure any such material breach, or such material breach has been waived by Lessor, Lessee shall have the right to lease additional acreage described as the Johnson First Refusal Property as follows: If Lessee in the Johnson Lease, as amended, turns down, or does not properly exercise its right to lease such property pursuant

to Paragraph 3 (2) of the Amendment to the Johnson Lease dated March 15, 1966, or such right of first refusal in favor of Portland is never activated, then Lessee hereunder shall have the right of first refsual to lease such additional acreage as set forth in said Paragraph 3 (2).

B. OPTION ON TRI-CITY FIRST REFUSAL PROPERTY. So long as Lessee shall not be in a material breach of this Lease, or shall cure any such material breach, or such material breach has been waived by Lessor, Lessee shall have the right to lease additional acreage described as the Tri-City First Refusal Property as follows: If Lessee in the Tri-City Lease turns down or does not properly exercise its right to lease such property pursuant to the paragraph entitled First Refusal on Page 9 of the Amended Lease dated June 18, 1955, or such right of first refusal in favor of Tri-City is never activated, then Lessee hereunder shall have the right of first refusal to lease such additional acreage as set forth in said paragraph entitled First Refusal on Page 9 of the Amended Lease dated June 18, 1955.

C. OPTION ON REMAINDER OF LESSOR'S PROPERTY. Lessor hereby grants to Lessee the right of first refusal as to a lease of the remainder of Lessor's Property shown as Parcel V on Exhibit "A", on terms at least as favorable as Lessor is willing to lease such additional acreage to any other bona fide lessee for the purposes of excavating rock, sand, and gravel, excepting the southwest quarter of the southwest quarter of Section 4, Township 1 South, Range 2 West.

Lessor shall notify Lessee in writing of any proposed lease terms for such additional acreage and purpose and Lessee shall have Thirty (30) days from such notice to exercise the option hereby granted. Lessee agrees and understands that Lessor, in the normal course of its daily operations dredges and cleans ponds and generates stock piles of sand and gravel material from such operations and sometimes enters into contractual relations with entities to remove sand material or to do the cleaning operation in return for such materials and that such activities by Lessor will not trigger the option herein discussed.

D. In the event Lessee under the Tri-City Lease described above in Paragraph 1. E. does not exercise its option to extend the term of the lease as to the Tri-City Leased Property, then, in that event, Lessee hereunder shall have the right to lease the Tri-City Leased Property upon the same terms and conditions that Lessee is leasing the Pharris Leased Property pursuant hereto with the minimum rental payments of $18.25 per acre, per year, payable monthly and adjusted in accordance with Paragraph 7.(f) hereof.

BUYOUTS

5. GENERAL PORTLAND BUYOUT. Upon execution of this Lease Agreement, it is anticipated that Lessee shall approach Lessee under the Johnson Lease, GENERAL PORTLAND CEMENT, herein designated as "Portland," to attempt to effect a buyout by Lessee of Portland's

interests in the leasehold estate. Lessor agrees that in the event Lessee is successful in so acquiring Portland's interest, then, in that event, the Johnson Lease shall be deemed terminated and Paragraph 3. B. hereof shall take effect. Lessee shall pay to Lessor the rental as provided herein except that the rental provided for in Paragraph 7 (e) hereof for any product removed from the property covered by the Johnson Lease shall be reduced by the amount of the consideration paid by Lessee to Portland up to a maximum amount of Fifteen Thousand Dollars ($15,000.00) in consideration of the acquisition by Lessee of Portland's interests. Thus, if Lessee were to pay One Percent (1%) of net sales price to Portland for its interest, then Lessee would pay to Lessor the rental as provided in Paragraph 7 (e) hereof less said One Percent (1%). If Lessee pays Portland a lump sum or some other absolute amount or amounts, Lessee would not pay Lessor any 7 (e) rental amount until said sum or sums had been absorbed through the application of the rental as provided in Paragraph 7 (e) hereof. Thus, if Lessee were to pay Ten Thousand Dollars ($10,000.00) for Portland's interest, Lessee would pay no 7 (e) rental to Lessor until Lessee had removed an adequate amount of product such that rental as provided in Paragraph 7 (e) hereof would equal Ten Thousand Dollars ($10,000.00) and then Lessee would begin to pay to Lessor rental as provided in Paragraph 7 (e) hereof. Lessee shall continue to have the benefit of such credit during any extensions of the term of this Lease. Lessee shall be entitled to no reduction in the minimum monthly rental.

OPTION TO EXTEND TERM

6. At the end of the initial term of this Lease as to the Pharris Leased Property, and so long as Lessee shall not be in material breach of this Lease, or shall cure any such material breach, or such material breach has been waived by Lessor, Lessee shall have the option to extend the term of this Lease on any of Lessor's Property then under lease by Lessee except Parcels III-A, III-B, and IV-C, hereunder for Thirteen (13) additional Five (5) year terms upon the same terms and conditions as herein provided. Lessee shall give written notice to Lessor, at least Six (6) months prior to the end of the initial term hereof or any extension or renewal thereof, of Lessee's intent to exercise any such option or options, and Lessee's failure to give such notice shall terminate any right to exercise such option or options subsequently accruing. Lessor and Lessee agree that in the event Lessor does not have the legal power to lease the subject property or to grant options to extend the term of this Lease for the time periods herein contained then, in that event, the term of any options to extend the term of this Lease, as contained hereinabove, shall be reduced to the maximum number of years which Lessor is empowered by law to extend the term of this Lease.

RENT

7. The rent payable hereunder by Lessee to Lessor shall be as follows:

(a) Twenty-Five Thousand Dollars ($25,000.00) upon

the execution by both parties of this Lease as and for the first year's rental.

(b) Ten Thousand Dollars ($10,000.00) per year, payable in twelve (12) equal monthly payments commencing One (1) year after the execution date of this Lease, and on the same day of each month of each year thereafter during the term of this Lease and any extensions thereof, as to the Pharris Leased Property.

(c) Eighteen Dollars and Twenty-Five Cents ($18.25) per acre, per year, payable in twelve (12) equal monthly payments commencing on the commencement date of the term of this Lease as to the Johnson Leased Property, and on the same day of each month of each year thereafter during the term of this Lease and any extensions thereof as to the Johnson Leased Property.

(d) Eighteen Dollars and Twenty-Five Cents ($18.25) per acre, per year, payable in twelve (12) equal monthly payments commencing on the commencement date of the term of this Lease as to the Tri-City Leased Property, and on the same day of each month of each year thereafter during the term of this Lease and any extensions thereof as to the Tri-City Leased Property.

(e) Three Percent (3%) of the net sales price f.o.b. plant, of the sand, gravel, rock, or kindred products sold by Lessee, payable on the Twenty-fifth (25th) day of the month immediately following the month in which the sale was made. Said Three Percent (3%) payments made on a monthly basis shall at the end of each twelve (12) month period be annualized and

shall not be considered final payments until the end of each such twelve (12) month period. In the event Lessee sells a product such as ready-mix concrete or other finished product which involved more than just the product being removed from the leased premises, then, in that event, Lessee shall pay to Lessor an amount based upon the price which Lessee would have charged an outside user of the components of such finished product removed from the leased premises, taking into account discounts given to high-volume users if enough product is used to qualify for such a discount. Sales and use taxes are not to be included in net f.o.b. plant price. In addition, taxes unknown to Lessee now which might later be placed on the sale shall not be included in net f.o.b. plant price.

BEGINNING 1 MAY 1992 Said rent shall remain in effect for the first Five (5) full years of Lessee's sales of products from the leased premises, BEGINNING 1 MAY 1997 and thereafter shall be increased to 3.7175%. In no event, however, shall the rental payable to Lessor be less than Five Cents ($.05) per ton. To the extent that the annual rent payable by Lessee to Lessor pursuant to this Subparagraph (e) exceeds the annual minimum rent set forth above in Subparagraphs (b), (c), and (d) hereof, the rent contained in this Subparagraph (e) shall be reduced by the aggregate amount paid during the year as minimum rental on all parcels. As Subparagraphs (c), and (d) hereof come into effect, then,

the Pharris Leased Property, the Johnson Leased Property, and the Tri-City Leased Property shall be combined for rent calculation.

(f) At the end of the initial term of this Lease as to the Pharris Leased Property, the minimum rental set forth in Paragraph 7 (b), (c), and (d) hereof shall be increased from Eighteen Dollars and Twenty-Five Cents ($18.25) per acre, per year, to Nineteen Dollars and Sixteen Cents ($19.16) per acre, per year, if Lessee exercises its option to renew. Said minimum rental shall be increased each year thereafter by Ninety-One Cents ($.91) per acre, per year, each year thereafter until the total minimum rental being paid by Lessee to Lessor equals Thirty-Five Thousand Dollars ($35,000.00) per year. If Lessee continues to exercise its options to extend the term of this Lease, and the minimum annual rental has increased to Thirty-Five Thousand Dollars ($35,000.00) per year, then Lessor may thereafter increase the minimum annual rental per year by One Dollar and Eighty-Two Cents ($1.82) per acre, per year, one time each Five (5) years for the duration of this Lease Agreement.

JUN 1, 1996

JUN 1, 2017

JUN 1, 2018
JUN 1, 2023
2028
2033
2038
2043
2048
2053
2058
DS: JUN 1, 2061

LICENSE

8. Commencing with the date of execution of this Lease, Lessor hereby grants to Lessee the right to enter onto any of Lessor's Property and to do such acts as Lessee deems appropriate, to test and to construct such improvements on the Pharris Leased Property as is necessary for purposes as Lessee deems necessary

to carry out the intent of this Lease. Lessor and Lessee understand and agree that Lessee's right to enter, explore, test and construct shall be limited to the extent necessary to prevent a breach of Lessor's duties under the Johnson Lease and the Tri-City Lease.

REMOVAL OF ROCK, GRAVEL, AND SAND

9. During the term of this Lease and any renewal or extension thereof, Lessee may, at its option, excavate and remove from the said leased premises any rock, gravel, sand, and kindred substances located thereon and therein, which said rock, gravel, sand and kindred substances shall thereupon be and become the property of Lessee; Lessor hereby quitclaims, transfers, and conveys to Lessee any and all right, title, and interest of Lessor thereto. The place and location of the excavation of such rock, gravel, sand, and kindred substances shall be determined by Lessee from time to time after consultation with Lessor. Lessor hereby expressly reserves the right to use the leased premises for the spreading and sinking of water thereon at Lessor's discretion, provided, however, that Lessor hereby represents to Lessee that Lessor shall not have the right to interfere with Lessee's operation so long as there is a viable alternative which is economically feasible.

CONDEMNATION

10. If any part of the premises shall be taken or condemned for a public or quasi-public use, and a part thereof remains which

is reasonable susceptible of occupation hereunder, this Lease shall terminate as to the part so taken as of the date possession is obtained by the condemnor. In the event the part taken interferes materially with the excavation of sand and gravel from the premises, the minimum rental shall be reduced in the proportion that the value of the portion of the quarry taken bears to the value of the remaining quarry. If all of the premises shall be taken or condemned, or such part thereof that there does not remain a portion reasonably susceptible of use or occupation hereunder, this Lease shall thereupon terminate at Lessee's discretion.

COMMERCIAL REASONABLENESS

11. If Lessee determines, from and after the commencement date of this Lease to the date Lessee commences extracting product from the leased premises for sale in a commercial manner, irrespective of whether or not the term has commenced, that the premises are not suitable for Lessee's operation or if during such time Lessee is unable to obtain the necessary governmental consents, or the conditions on such governmental consents are unacceptable to Lessee, then Lessee shall be excused from all performance hereunder, and this Lease shall be null and void *ab initio*. If such cancellation occurs during the first twenty-four (24) months commencing on the execution date of this Lease or prior to the time that a total amount of Thirty-Five Thousand Eigh Dollars ($35,080.00) has been paid to Lessor, Lessee shall be

entitled to no refund of rents paid. If, however, such cancellation occurs after either of such events, then, Lessor shall be entitled to retain Fifty Percent (50%) of any and all payments made by Lessee to Lessor up until such date of determination by Lessee and shall return the remainder to Lessee in three (3) annual installments commencing Thirty (30) days after such election by Lessee less any rental losses accruing to Lessor if Lessee has purchased the rights of General Portland pursuant to Paragraph 5 hereof.

WATER

12. Lessee may develop such water from the leased premises as may be needed in quarrying, washing down gravel, and wetting loads. Lessor shall cooperate with Lessee in developing such water.

EASEMENTS

13. Lessor shall grant to Lessee any easements over property which Lessor owns or over easements which Lessor owns as are reasonably necessary for Lessee's use of the leased premises in accordance with the terms of this Lease. Lessor shall grant easements to utility companies as are necessary for the conduct of Lessee's operations on any property which is the subject of this Lease.

COMPLIANCE WITH LAWS

14. Lessee shall maintain the premises herein demised in a

clean and sanitary condition at all times. Lessee shall faithfully observe all laws, ordinances, police, and sanitary rules and regulations made by public authorities and the legislative bodies of the State of California, the County of San Bernardino, and the United States, or by any other governmental body having jurisdiction over the same. Lessor and Lessee shall comply with all ordinances or laws, rules, or regulations, now or hereafter made, affecting said business, or said premises of which the space herein demised is a part, as necessary for Lessee's operation.

BOOKS OF ACCOUNT

15. Lessee shall at all times keep and maintain full, complete, and adequate books and records of account, together with all weight tags or records on all rock, gravel, sand, and kindred substances removed from the said property and premises. Said books, records, and weight tags shall be available and open for inspection by Lessor, or its representative, at any and all regular business hours for two (2) years after the end of each year of this Lease. Lessee shall report each month the total tons removed, the net sales price at the scales, and the amount due Lessor.

LIENS

16. Lessee shall not incur or permit the incurring of any lien upon the land and premises hereby leased for material or labor in connection with any work or labor to be performed, or materials to be supplied, upon and to the said property and premises; and Lessee hereby indemnifies and agrees to hold

Lessor, and the property and premises of Lessor hereby leased, free and clear from any material or labor or other lien during the term of this Lease.

TAXES

17. Lessee shall promptly pay, when due, any and all taxes levied upon or against any and all rock, gravel, sand, and kindred substances excavated and removed from the said premises by Lessee, together with any and all taxes and assessments levied upon any property, fixtures, improvements, or equipment, placed upon the said premises and property by Lessee.

UTILITIES

18. Lessee shall promptly pay, when due, all charges for any and all utilities supplied to the said property and premises.

INSURANCE

19. Lessee shall, at all times during the term of this Lease, keep and maintain public liability insurance upon the said premises, at Lessee's expense, with limits of liability of at least One Hundred Thousand Dollars ($100,000.00) and Three Hundred Thousand Dollars ($300,000.00), and property damage insurance in the amount of at least Twenty-Five Thousand Dollars ($25,000.00), in such company or companies as are approved by Lessor; said policy or policies, or

a duplicate or duplicates thereof, shall be delivered to Lessor and held by Lessor at all times. Said policy or policies shall name Lessor and The San Bernardino Valley Municipal Water District as two of the insureds thereunder.

ECONOMIC INTEREST IN MATERIALS

20. Lessor and Lessee agree that by this instrument Lessor has conveyed to Lessee the rock, gravel, sand, and kindred substances to be removed from the leased premises pursuant hereto, and all economic interest therein is conveyed to Lessee by this agreement.

REMOVAL OF IMPROVEMENTS

21. Upon the termination of this Lease and the faithful performance of each and all of the covenants thereof, Lessee shall have the right to remove from the said property and premises any and all machinery, fixtures, equipment, structures, buildings, and improvements placed thereon, and shall have a period of Thirty-Six (36) months after such termination within which to complete the removal of such improvements. Upon any such termination, if Lessee does not elect to exercise such right, then Lessor may require Lessee, at Lessee's expense, to remove all such improvements and restore the premises to a neat and orderly condition.

ACCESS TO SCALES

22. Lessor shall, at all times, have full and free access to any weighing scales located on the said property and premises, which will or may be used to weigh any of the said material, and shall have the right to inspect and test the same or cause the same to be tested and inspected.

NOTICES

23. Any notice herein to be given to Lessor shall be deemed sufficient and complete upon depositing such notice in the United States mail, with postage prepaid, addressed to Lessor at 303 Brookside Avenue, Redlands, California 92373; any notice herein to be given to Lessee shall be deemed sufficient and complete upon depositing such notice in the United States mail, with postage prepaid, addressed to Lessee at 2854 North Santiago, Suite 200, Orange, California 92667. Either party hereto may change such address by giving written notice thereof to the other party. Personal service of any such notice will be sufficient and in lieu of notice by mail as hereinabove provided.

HOLDING OVER

24. Should Lessee hold over and continue in possession of said leased premises after the end of the term hereof, with the express or implied consent of Lessor, such holding-over shall be construed as a tenancy from month to month at the same rental and upon the same terms and conditions as herein provided.

INDEMNIFYING DISTRICT AND SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

25. Lessee hereby indemnifies and agrees to hold Lessor and San Bernardino Valley Municipal Water District free and harmless from any and all liability whatsoever arising out of or in connection with the use and occupancy of the said leased premises and property by Lessee, and to defend any and all claims or actions brought against Lessor and San Bernardino Valley Municipal Water District in connection with or arising out of the operations of Lessee upon and in connection with the said premises so leased, and to indemnify and hold Lessor and San Bernardino Valley Municipal Water District free and harmless from any and all expenses, claims, or obligations in connection therewith. Such indemnity shall not cover Lessor or San Bernardino Valley Municipal Water District if liability occurs due to the gross negligence or intentional torts of Lessor or San Bernardino Valley Municipal Water District.

RELOCATION OF EXISTING SPREADING FACILITIES

26. In the event Lessor is required to relocate its existing spreading facilities during the first three (3) years of excavation by Lessee, then, in such event, the cost of such relocation will be paid one-half (1/2) by Lessor and one-half (1/2) by Lessee. After such three (3) year period, the cost

will be borne by Lessor.

SUBMISSION OF DIGGING PLAN

27. Lessee agrees to submit its digging plans to Lessor for Lessor's comment and review prior to submitting such digging plans to regulatory agencies. Lessor shall receive such information for its information only, and shall have no right of approval or disapproval regarding such plans.

SHORT-FORM LEASE

28. Lessor and Lessee hereby agree to execute a short-form Lease of this Lease for recordation purposes. Upon termination of this Lease, Lessee agrees to give Lessor a quitclaim deed or such other document requested by Lessor to clear title.

NON-WAIVER

29. The failure or omission of Lessor to terminate this Lease for any violation of its terms, covenants, or conditions, or the acceptance of the rent after it is due, shall not be deemed to be a consent by Lessor to such or any subsequent violation, or a waiver of any of the rights of said Lessor hereunder, and shall in no manner thereafter estop or prevent Lessor from terminating this Lease for any subsequent violation of any term, covenant or condition hereof.

ASSIGNMENT

30. Lessee shall not assign or sublet this Lease or any interest therein or in or to the leased premises or any part

thereof without first obtaining the written consent of Lessor to each assignment or subletting. Such consent not to be unreasonably withheld.

RELATED USES

31. Related uses as used herein shall include, but shall not be limited to, the digging, screening, crushing, washing, classifying, stockpiling, loading, hauling, and selling of rock, gravel, sand, and dirt, batching of asphaltic concrete and ready-mix concrete, parking, repairing, and maintaining of plant, equipment, and trucks, so long as related to or incidental to the use of materials removed from the leased premises.

IN WITNESS WHEREOF, the parties hereto have subscribed their names hereto by and through their duly authorized officers as of the day and year first above written.

THE SAN BERNARDINO VALLEY WATER
CONSERVATION DISTRICT,

Lessor

BY: W. Roscoe Crim

W. Roscoe Crim, Vice-President

ATTEST: W. J. Hiltgen

William J. Hiltgen, Secretary

C. L. PHARRIS SAND AND GRAVEL, INC.
A California corporation

Lessee

BY: _____
Gerald N. Pharris, Secretary

BY: _____
Ronald W. Pharris, Vice-President

Acres

Parcel I-1 (Portion of WCD Parcel 11-2)

North one-half of the North one-half of Section 11, T. 1 S. R. 3 W., SBB&M, excepting therefrom the North 40 feet 155+

Parcel I-2 (Portion of WCD Parcel 11-1)

South one-half of the Southeast Quarter of Section 11, T. 1 S., R. 3 W., SBB&M 80+

Parcel I-3 (WCD Parcels 12-2 and 12-3)

North one-half of Section 12, T. 1 S., R. 3 W., SBB&M, except that portion lying within the right-of-way of the AT&SFe Railroad. 313+

Parcel I-3a (WCD Parcel 12-3)

Three rights-of-way 80 feet wide across the AT&SFe right-of-way in the Southwest Quarter of the Northeast Quarter of said Section 12, as described in the deed from Charles Elliott to the San Bernardino & Eastern Railway Company.

Recorded December 15, 1891
Book 144, page 16 of Records of
San Bernardino County, California

Parcel I-4

An exclusive (except for Lessor's right to use such easement) easement 60 feet in width along the north line of the Northeast Quarter of Section 7, T. 1 S., R. 2 W., SBB&M, and across that portion of the Southwest Quarter of Section 6, T. 1 S., R. 2 W lying south of the south line of Greenspot Road.

The purpose of this easement is to provide access to Greenspot Road.

EXHIBIT A

Note: There is an existing easement to Southern California Edison Company across the North 30 feet of the Northwest Quarter of said Section 7.

There is an existing easement to San Bernardino Valley Municipal Water District 50 feet wide running Northwest to Southeast across a portion of the Southwest Quarter of said Section 6. There is a pipeline buried in this easement.

EXHIBIT A

	Acres
Parcel II-A (Portion of WCD Parcel 11-2)	
South one-half of the North one-half of Section 11, T. 1 S., R. 3 W., SBB&M	160+
Parcel II-B (WCD Parcel 11-3)	
North one-half of the Northwest Quarter of the Southwest Quarter of Section 11, T. 1 S., R. 3 S., SBB&M	20+
Parcel II-C (WCD Parcel 11-4)	
Northeast Quarter of the Southwest Quarter of Section 11, T. 1 S., R. 3 W., SBB&M	40+

Saving and excepting from the above parcels the main canal of lessor which corsses the property in an east-west direction and reserving unto lessor an easement 40 feet wide across the property adjacent to the Southerly boundary.

Parcel II-D (Portion of WCD Parcel 10-2)

A non-exclusive easement across the North 60 feet of the North one-half of the Southeast Quarter of Section 10, T. 1 S., R. 3 W., SBB&M.

EXHIBIT A

	Acres
Parcel III-A (Portion of WCD Parcel 11-1)	
The North one-half of the Southeast Quarter of Section 11, T. 1 S., R. 3 W., SBB&M	80+
Parcel III-B (WCD Parcel 10-2)	
The North one-half of the Southeast Quarter of Section 10, T. 1 S., R. 3 W., SBB&M, except the westerly 130+ feet thereof.	75+

Note: There is an existing lease on the northeasterly 52+ acres of this parcel. Existing lease expires on December 31, 1980, with an option for an additional 5-year period.

EXHIBIT A

	Acres
Parcel IV-A (WCD Parcel 9-2)	
South one-half of the Northeast Quarter of Section 9, T. 1 S., R. 3 W., SBB&M.	80
Parcel IV-B (Portion of WCD Parcel 9-1)	
North one-half of the Southeast Quarter of Section 9, T. 1 S., R. 3 W., SBB&M.	80
Parcel IV-C (Portion of WCD Parcel 9-1)	
South one-half of the Southeast Quarter of Section 9, T. 1 S., R. 3 W., SBB&M.	80

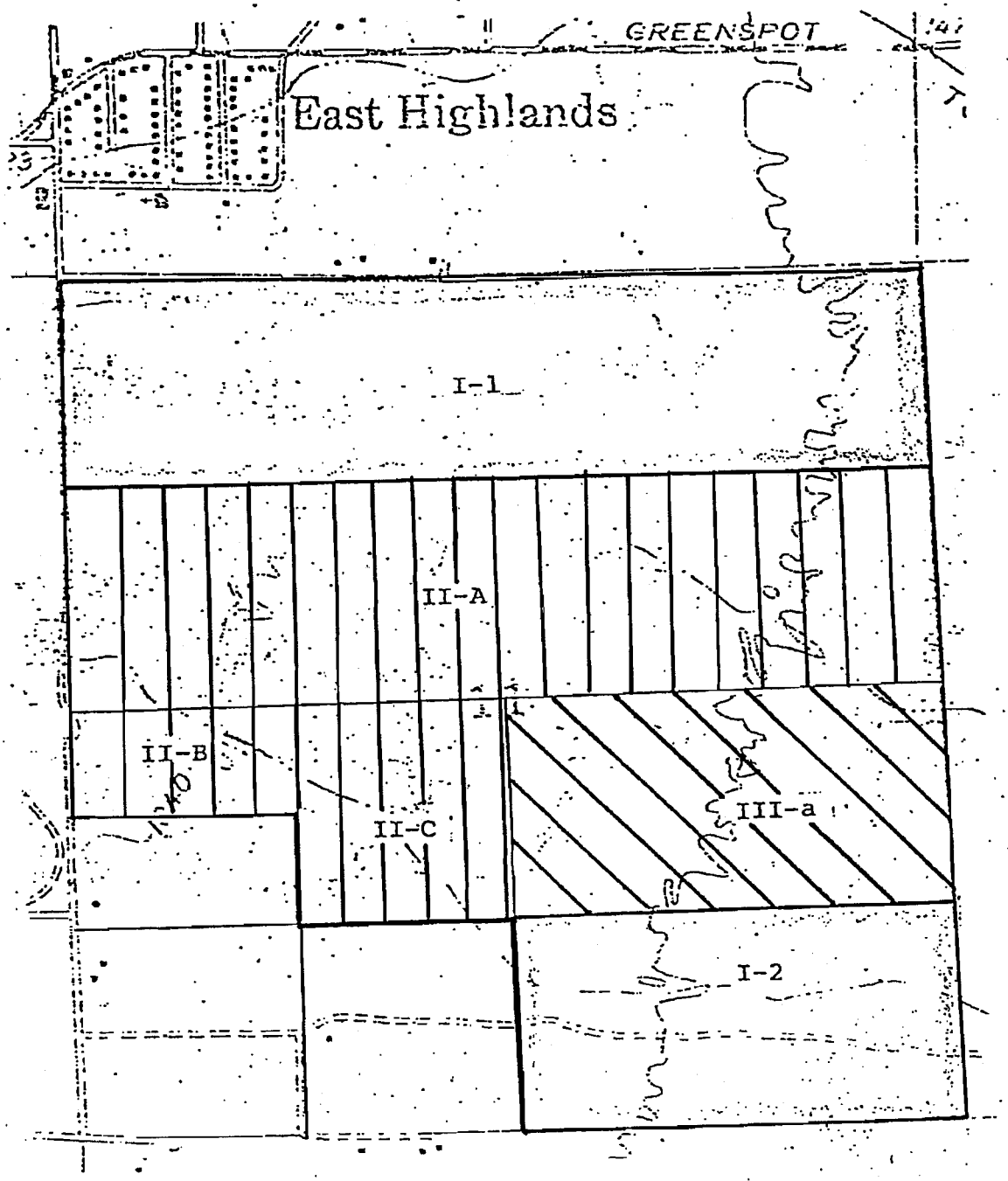
EXHIBIT

Parcel V		Acres
Section 10, T. 1 S., R. 3 W.,		
	Northeast Quarter of the Northeast Quarter	40
Section 12, T. 1 S., R. 3 W.		
	Southeast Quarter of the Southwest Quarter	40
Section 6, T. 1 S., R. 2 W.		
	All that portion of the Southwest Quarter according to the official plat of said land approved by the Surveyor General August 22, 1882, lying south of the south line of the Greenspot Road, as same now exists.	50
Section 7, T. 1 S., R. 2 W.		
NW1/4	Northwest Quarter	160
N1/2, SW1/4	North one-half of the Southwest Quarter	80
N1/2, NW1/4, SE1/4, SW1/4	North one-half of the Northwest Quarter of the Southeast Quarter of the Southwest Quarter	5
NE1/4, SE1/4, SW1/4	Northeast Quarter of the Southeast Quarter of the Southwest Quarter	10
N1/2, SE1/4, SE1/4, SW1/4	North one-half of the Southeast Quarter of the Southeast Quarter of the Southwest Quarter	5
W1/2, SE1/4	West one-half of the Southeast Quarter	80
SE1/4, NE1/4	Southeast Quarter of the Northeast Quarter	40
N1/2, SW1/4, NE1/4	North one-half of the Southwest Quarter of the Northeast Quarter	20
20 Ac., N1/2, NE1/4	South 20 acres of the North one-half of the Northeast Quarter	20
SE1/4, SE1/4	Southeast Quarter of the Southeast Quarter	40
E1/2, NE1/4, SE1/4	East one-half of the Northeast Quarter of the Southeast Quarter	20
15 Ac., W1/2, NE1/4, SE1/4	South 15 acres of the West one-half of the Northeast Quarter of the Southeast Quarter	15

EXHIBIT A

Parcel V, continued	Acres
Section 8, T. 1 S., R. 2 W.	
South one-half of the Northeast Quarter of the Northwest Quarter	20
Southwest Quarter of the Northeast Quarter	40
South one-half of the Northwest Quarter of the Northwest Quarter	20

Parcel I-1
Parcel I-2
Parcel II-A
Parcel II-B
Parcel II-C
Parcel III-a

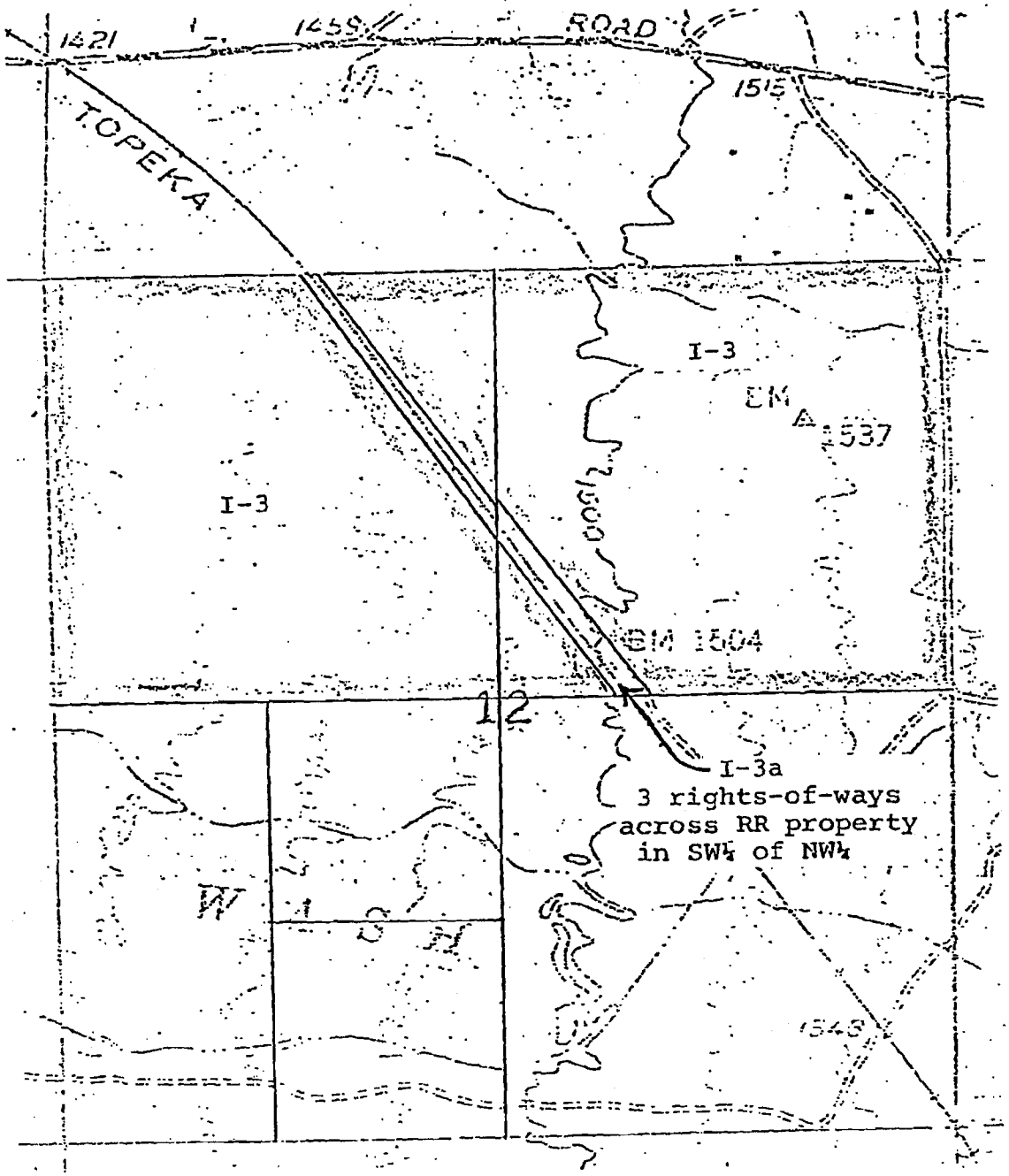


Section 11

T. 1 S., R. 3 W., SBB&M

EXHIBIT A

Parcel I-3
Parcel I-3a

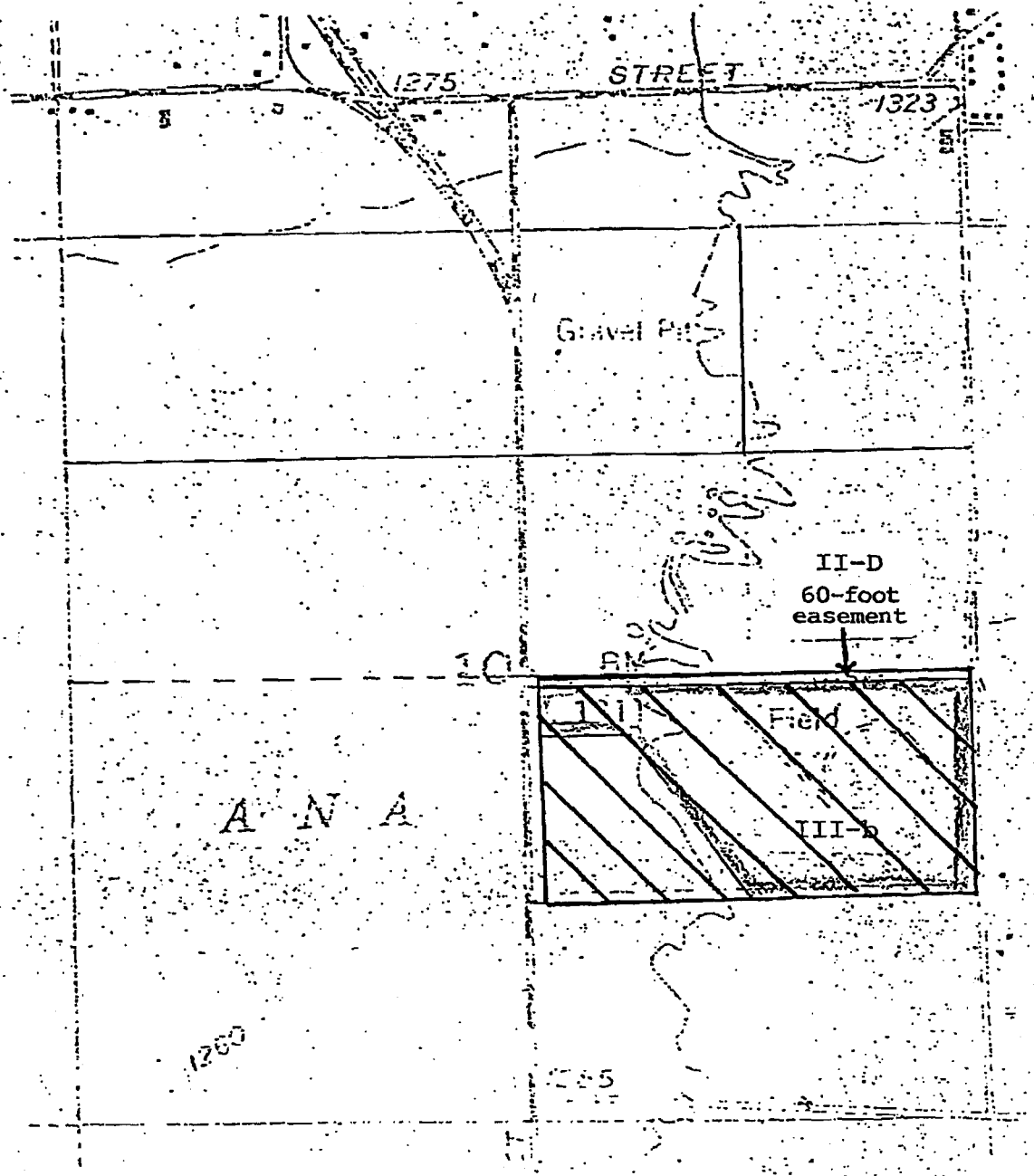


Section 12

T. 1 S., R. 3 W., SBB&M.

EXHIBIT A
Page eight

Parcel II-D
Parcel III-b

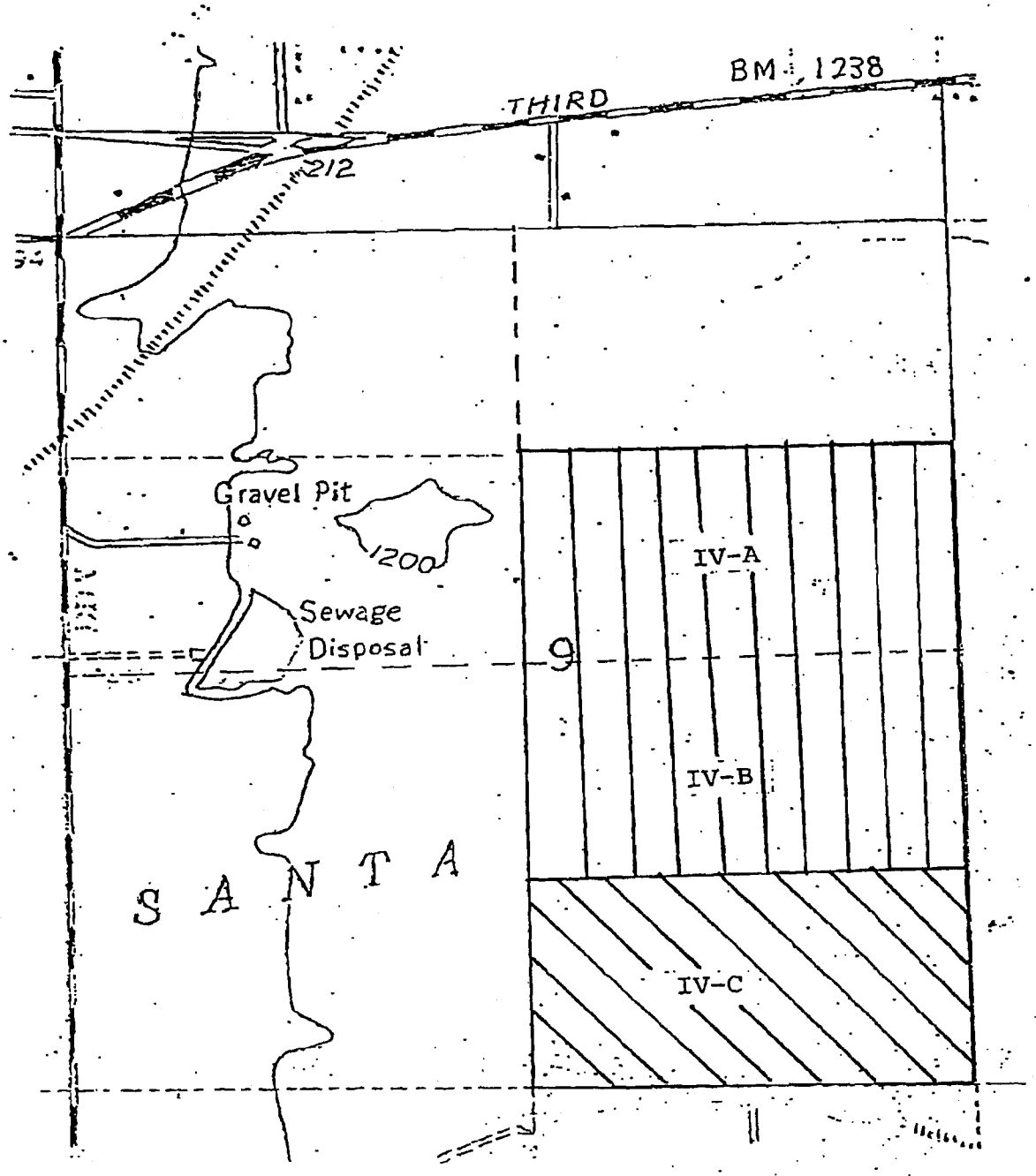


Section 10

T. 1 S., R. 3 W., SBB&M.

EXHIBIT A
Page nine

Parcel IV-B
Parcel IV-C



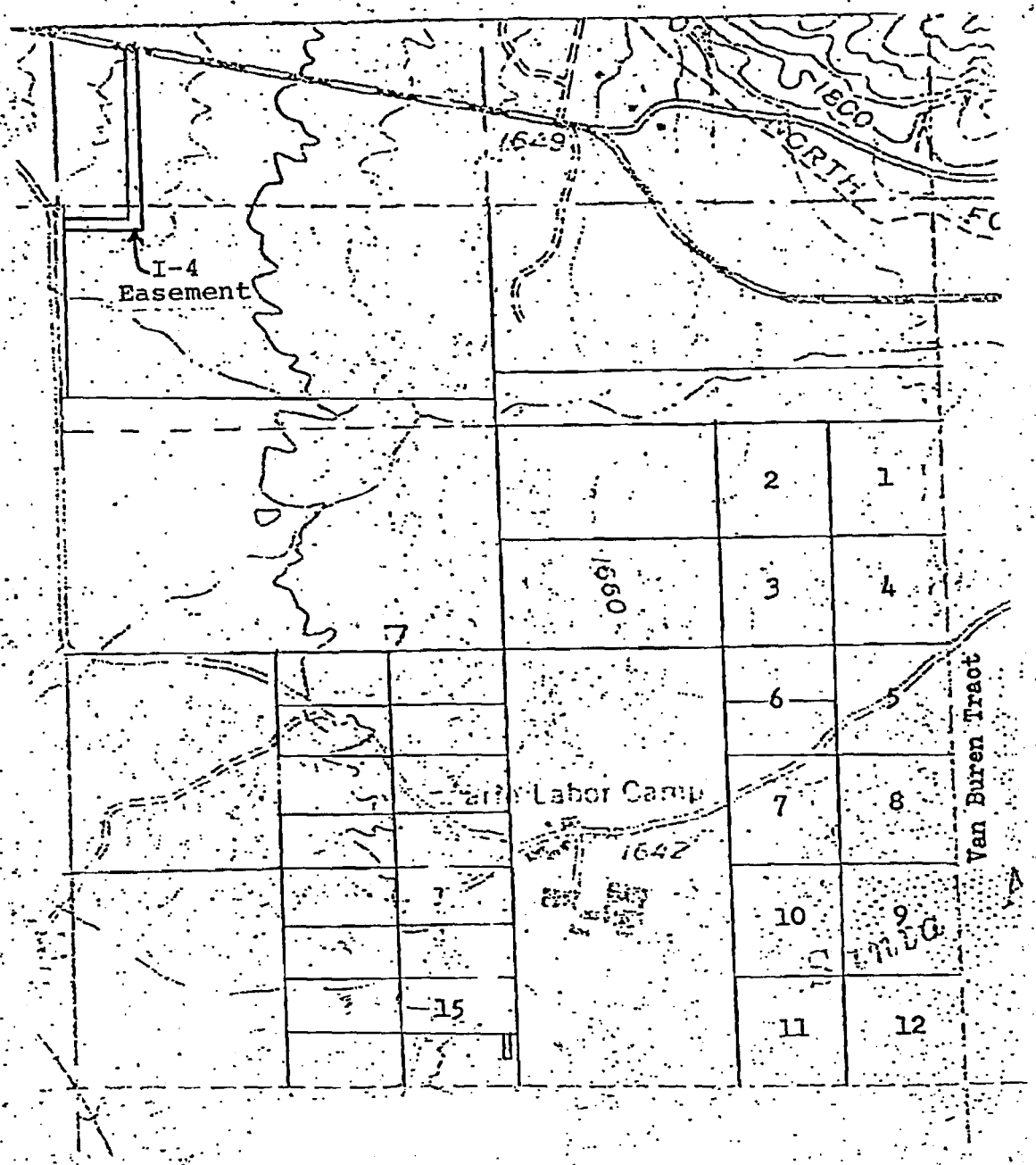
Section 9

T. 1 S., R. 3 W., SBB&M.

EXHIBIT A

Category IV

Also Parcel I-4



Section 7

T. 1 S., R. 2 W., SBB&M.

EXHIBIT A

page eleven

ASSIGNMENT OF LEASE

For value received, GENERAL PORTLAND, INC., a Delaware corporation, hereby transfers, conveys and assigns to REDLANDS AGGREGATES, a California corporation, all of its right, title and interest as Lessee under that certain lease originally entered into on March 17, 1961 by and between the San Bernardino Valley Water Conservation District, as Lessor, and H. Norman Johnson, Jr., as Lessee, as amended, excepting only the Option to Lease additional acreage described cribed in paragraph (2) of that paragraph title "Terms and Option" contained in that certain "Amendment to Lease dated March 17, 1971, which Amendment is dated March 15, 1966.

DATED: 12/13/84

GENERAL PORTLAND, INC.,
a Delaware corporation,

By Jim L. Hurt

Jim L. Hurt, Vice President
and General Manager.

RECEIVED
DEC 12 2005
LAFCO
San Bernardino County

AGREEMENT TO FORM THE UPPER SANTA ANA RIVER WASH LAND MANAGEMENT AND HABITAT CONSERVATION PLAN TASK FORCE

THIS AGREEMENT is made effective this 20th day of Nov, 2002, by and between the following entities (hereinafter individually referred to as a "Party" and collectively referred to as the "Parties"):

CEMEX CONSTRUCTION MATERIALS, LP ("CEMEX")	ROBERTSON'S READY MIX, LTD ("ROBERTSON'S")
[CITY OF HIGHLAND ("HIGHLAND")]	EAST VALLEY WATER DISTRICT ("EVWD")
CITY OF REDLANDS ("REDLANDS")	REDLANDS UTILITIES DEPARTMENT ("RUD")
COUNTY OF SAN BERNARDINO ("SAN BERNARDINO COUNTY")	SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT ("SBCFCD")
SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT ("SBVWCD" OR "CONSERVATION DISTRICT")	UNITED STATES BUREAU OF LAND MANAGEMENT ("BLM")

RECITALS

This Agreement is entered into on the basis of the following facts, understandings, and intentions of the Parties:

A. Representatives of numerous agencies, including water, mining, flood control, resource management and conservation, and municipalities, formed the Santa Ana River Wash Area Coordinating Planning Activities Committee ("Wash Committee") to address local mining issues and other land functions on the Upper Santa Ana River Wash ("Wash"). A Policy Action Committee ("PAC") was subsequently established, consisting of elected officials from San Bernardino County, Highland, Redlands, and the Conservation District, as well as the Field Manager of the BLM. A Technical Advisory Committee ("TAC") was also formed with representatives from the PAC agencies, and other water, mining, flood control, and resource protection interests.

B. The Wash Committee examined the most appropriate manner in which to use the Wash for the benefit of all landowners without regard to preexisting planning of the Wash or current land ownership. Ultimately, the Wash Committee determined that there should be a balance of land uses to accommodate the needs of mineral extraction, water conservation, habitat protection, and municipal infrastructure

requirements (i.e. utilities, trails, etc.). To achieve land use balance, current land uses must be reassigned to better accommodate mineral extraction, water conservation, and habitat. To effect such change, an exchange of existing land ownership between BLM and the Conservation District, and a transfer of leasehold interests between the mining companies and the Conservation District will be required.

C. The TAC reached a general consensus in early 2000 regarding the designation of specific areas of the Wash for the desired uses. The result of this multi-jurisdictional effort was the creation of a proposed Land Management and Habitat Conservation Plan for the Upper Santa Ana River Wash ("Concept Plan"). The Concept Plan establishes the framework for balancing ongoing and future land activities proposed for the Wash Planning Area ("WPA"), including habitat protection areas and recreational trail alignments. The Concept Plan was reviewed and endorsed by the governing boards and/or officials with approval authority from each of the Parties, and various other agencies involved in the deliberations on the Concept Plan.

D. Each of the Parties have found and determined that it is in their best interests to join together to: manage activities in connection with the necessary refinements, environmental review, and implementation of the Land Management and Habitat Conservation Plan (collectively the "Project"); provide an equitable cost-sharing mechanism for the funding of the Project; and, define the projected schedule and scope of work to execute the Project.

E. The Parties hereto now enter into this Agreement to establish a Task Force, consisting of a representative from each party, to oversee and administer the preparation of plans, environmental review documents, public notices and hearings, and other activities requisite to the formulation and, if adopted, execution of the Project.

F. In entering into this Agreement, the Parties reserve their discretionary authority with regard to the execution of the Project, including but not limited to, any land use and planning authority under state and local law, authority, designated under the Surface and Mining Recovery Act ("SMARA"), and CEQA approval of their own discretionary decisions executing the Project.

TERMS & CONDITIONS

SECTION 1: DESCRIPTION OF PROJECT.

The Project to be undertaken by the Task Force consists of all of the following:

A. Refinement and expansion of the Concept Plan (Exhibit "A") to develop the Component Plans of a "Land Management and Habitat Conservation Plan for the Upper Santa Ana River Wash" ("Plan"), which includes the following:

1. A Mining and Reclamation Plan under the Surface Mining and Reclamation Act ("SMARA") designating the areas as generally depicted in Exhibit "A" to be devoted to sand, gravel, and mineral extraction and the terms and conditions under which such extraction may proceed, which will be provided by CEMEX and

Robertson's to the appropriate municipality, Highland or Redlands, for review and approval;

2. A Water Conservation Plan, which describes the scope, extent, and location of water diversions, conveyance, spreading, and monitoring activities, which will be provided by the Conservation District;

3. A Recreation Plan, which coordinates the planning and development of trails, parks, and public recreation areas, which will be provided by Conservation District, San Bernardino County, and Redlands;

4. An Infrastructure Plan, which describes the location of pipelines, utility corridors, roads, highways, and communication facilities, which will be provided by the Conservation District, EVWD, and Redlands;

5. A Habitat Protection Plan, which will be provided by the Conservation District to identify habitat areas that may be considered to protect threatened and endangered species at such time as other activities within the Wash are presented to the appropriate agency for entitlements, approvals and /or land use permits; and

6. A Flood Control Plan, which describes flood control facilities/activities including detention and retention basins, drains, and storm water conveyance facilities, which will be provided by SBCFCD.

B. Preparation of preliminary documents necessary to conduct an environmental analysis, including the following:

1. A Project Description for the environmental analysis based on the Component Plans described above;

2. Alternative land balancing plans to be studied in the environmental analysis;

3. A plan outline, including actions, required funding, and the administrative or legislative measures needed to implement the Project, which will be known as the Implementation Action Plan; and

4. A draft agreement to execute the Implementation Action Plan, which will be known as the Implementation Agreement.

C. Preparation of an EIR/EIS for implementation of the Plan, including a mitigation monitoring plan, based on the Component Plans in 1.A. above, and the preliminary documents in 1.B. above.

D. Completion of a proposed land exchange between BLM and Conservation District. BLM, working with the Conservation District, shall undertake activities to assess, and if appropriate, implement by way of a Memorandum of Understanding or

other appropriate instrument with the Conservation District, a land exchange. The assessment and potential implementation of the land exchange will analyze whether portions of property currently owned by BLM can feasibly and beneficially be exchanged for portions of property owned by the Conservation District.

E. Preparation of the implementation documents based on the completed EIR/EIS, including the following:

1. A certification of the EIR and record of decision for the EIS;

2. An Implementation Action Plan; and

3. A Habitat Conservation Plan, including a programmatic Section 10a Take Permit.

F. Task Force submit the EIR/EIS, Implementation Action Plan, and Habitat Conservation Plan to the appropriate agencies for their action and, if adopted, subsequent implementation.

SECTION 2: CREATION OF THE TASK FORCE.

There is hereby created a task force that shall be known as the Upper Santa Ana River Wash Land Management and Habitat Conservation Plan Task Force ("Wash Task Force" or "Task Force"). The Task Force shall oversee and direct preparation of the Project and shall be comprised of regular and advisory members as follows:

A. Regular Members.

Each Party who contributes financially to fund the Project in accordance with Exhibit "B" to this Agreement, as may be amended from time to time, or contributes with in-kind services that result in a product for use by the Task Force commensurate with the level of contribution identified in Exhibit "B," shall be deemed a Regular Member of the Task Force. Any dispute regarding whether "in-kind" services contributions by a Party entitles such Party to status as a Regular Member shall be submitted to all then-existing Task Force Regular Members, and will be decided by a majority vote of the Task Force Regular Members. Each Regular Member shall be entitled to appoint two (2) representatives to the Task Force concurrently with the execution of this Agreement. Each Regular Member shall appoint (1) representative to oversee and contribute to the technical/staff aspects of the Task Force's work, and one (1) member of the legislative body, Board of Directors, or other body with ultimate decision making and policy making authority for the Regular Member, who shall be the voting member of the Task Force. Notwithstanding that each Regular Member shall have two (2) representatives to the Task Force, each Regular Member shall have and exercise only one (1) vote. The identity of each of the appointed representatives from each respective Party shall be promptly communicated to the Project Manager. Appointed representatives to the Task Force shall serve at the pleasure of the governing body of the respective appointing Party, and may be removed by them at any time, with or without cause; provided, however, that the Parties acknowledge and agree the continuity of representation on the

Task Force is important to the overall effectiveness of the Task Force, and the Parties further agree to ensure such continuity whenever possible.

B. Advisory Members.

1. Any member of the TAC, which is not a Regular Member of the Task Force, and any other public or governmental agency, may with the approval of a majority of the Regular Members of the Task Force, designate representatives as non-voting advisors to the Task Force ("Advisory Members"). The Task Force will formally recognize these Advisory Members and ensure all materials and products of the Task Force are provided to the Advisory Members. A list of Advisory Members will be maintained by the Project Manager.

2. The California Department of Water Resources (DWR), the California Department of Fish and Game (DFG), and the United States Fish and Wildlife Service (USFWS), County of Orange, and the City of Highland are hereby designated as Advisory Members to the Task Force.

3. Advisory Members may be admitted as Regular Members, with voting privileges, with approval by a majority vote of Regular Members of the Task Force.

C. Function.

1. The Task Force shall oversee and direct the preparation of all of the component elements of the Project.

2. The Task Force shall assist in the selection of a consultant to assist in planning and implementing the Project ("Consultant"). The Consultant selected must be acceptable to the Federal lead agency.

3. The Task Force shall meet periodically for the purpose of reviewing and evaluating the work product of the Task Force and the Consultant.

4. The Task Force shall administer this Agreement, subject to the reserved right of each of the Parties to approve their respective financial appropriations to Task Force budgets.

5. The Task Force shall propose contribution levels for each Party, subject to Section 4.D. herein. The contribution level for each Party shall initially be those set out in Exhibit "B" hereto.

6. The Task Force shall, in consultation with the Consultant, prepare and adopt a project schedule ("Project Schedule"). When completed, the Project Schedule will be circulated among all Regular and Advisory Members, and will be maintained by the Project Manager.

D. Committees.

The Task Force may establish working committees, which shall be designated from a pool of Regular and Advisory members who shall be selected by and serve at the pleasure of the Task Force.

E. Designation of Officers.

The Task Force shall designate and appoint one of its representatives to act as Chair and another of its members to act as Vice-Chair, both of which shall be selected from the pool of Regular Members. The Conservation District shall perform the functions of project administrator, including secretarial and treasurer duties.

F. Meetings

Regular meetings of the Task Force shall be held at the Conservation District offices, or such other place as may be agreed upon by the Task Force. At the first meeting, the Task Force shall provide for the time and place of its regular meetings. Special meetings may be called at the request of the Chair or of a majority of Regular Members to the Task Force. A majority of Regular Members of the Task Force shall constitute a quorum for the purposes of transacting business. Except as otherwise provided herein, all actions of the Task Force shall be passed and adopted upon the affirmative vote of a majority of the quorum of Regular Members. All meetings of the Task Force shall be conducted in accordance with California's Open Meeting Laws. The Project Manager shall keep or cause to be kept, minutes of the meetings of the Task Force, copies of which shall be forwarded to each Task Force representative and to each Party. The Task Force may adopt, from time to time, such additional rules and regulations for the conduct of its affairs as may be required.

G. Additional Parties.

The Parties to this Agreement acknowledge and agree that the effectiveness of the Task Force may be improved by the addition of other entities that have interest in the work of the Task Force. Such entities may join the Task Force upon approval of a majority of the Regular Members of the Task Force, and upon such terms and conditions as are acceptable to such Regular Members, including, but not limited to, cash contributions to past, present, and/or future work of the Task Force.

H. City of Highland as Regular Member.

At the time of execution of this Agreement, the City of Highland has expressed its interest in joining the Task Force as a Regular Member, and the parties to this Agreement contemplate and desire that it do so. Provided City of Highland approves and executes this Agreement within One Hundred Eighty (180) days of the Effective Date, and pays its share of the Task Force Contribution Levels as set forth in Exhibit "B-1," for application to all expenses incurred by the Task Force from the Effective Date and following, City of Highland may join the Task Force, as a Regular Member, without the necessity of an approving vote of the Regular Members. In the event City of

Highland so joins the Task Force pursuant to the terms and conditions of this Section 2 (H), and effective immediately and prospectively from the date it does, various provisions of this Agreement shall be thereupon automatically be amended, all as more specifically set out in Exhibit "D" hereto.

SECTION 3: LEAD AGENCY DESIGNATION

A. Consistent with the First Amendment to the Memorandum of Understanding Regarding Coordinated Planning Activities Pertaining to the Santa Ana River Wash Area dated August 13, 1997, ("MOU") and its designation of the Conservation District as the Permanent Chair of the Policy Action Committee, the Conservation District is hereby designated as the Lead Agency for all non-federal activities associated with the Project under the California Environmental Quality Act ("CEQA").

B. The BLM is hereby designated as the Lead Agency for all federal activities associated with the Project under the National Environmental Policy Act ("NEPA").

SECTION 4: PROJECT MANAGER.

A. The Conservation District shall serve as the Project Manager, at the pleasure of the Task Force. The Project Manager shall act as the primary liaison and contact between the Consultant, the Task Force, and the Parties to the Second Amendment.

B. The duties of the Project Manager shall include the following:

1. Serve as the Lead Agency under CEQA and as assistant to BLM, which is the Lead Agency under NEPA; provided, however, that on issues relating to definition of level of significance for impacts, existence of and mitigation for significant adverse environmental impacts, and formulation of a mitigation monitoring program for those portions of the Project which involve mining activity within the jurisdictional boundaries of Redlands, and which require permits under SMARA, the Project Manager shall accept and incorporate into the EIR/EIS the determinations of Redlands for such aspects of the Project.

2. Administer the cost-sharing formula, which designates the percentage of the total cost of the Project, as approved by each Party to fund the Project;

3. Coordinate communications between the Consultant and the Parties;

4. Provide the Consultant with copies of all earlier studies and EIRs, which may be helpful to the Consultant to complete the Project;

5. Gather and transmit data to the Consultant from the Parties;

6. Provide periodic reports to the Task Force of the progress of the Project;

7. Report to and solicit input from the Task Force regarding policy issues that may arise;

8. Oversee the billing for all aspects of the Project;

9. Receive and pay all appropriate invoices for the Consultant;

10. Review the Consultant's charges and advise the Task Force of any problems associated with the Project;

11. Facilitate meetings of the Task Force and maintain records of the Task Force;

12. The Project Manager shall, through a written Notice to Proceed, cause the Consultant to commence the Project, and shall cause the Consultant to perform all services within the time period(s) established in the Project Schedule, and in conformity with the approved Project Flow Diagram, attached hereto as Exhibit "C"; and,

13. Either approve or deny by way of written response any requests for minor adjustments to the time period(s) specified in the Project Schedule.

C. Administration of Task Force Work.

The Conservation District shall make its personnel available as reasonably necessary to the Task Force to perform the secretarial, clerical, administrative, legal general counsel, and financial management duties requested by the Task Force. The Task Force shall compensate the Conservation District for the Conservation District's actual costs incurred in providing such services to the Task Force, upon presentation of an invoice detailing the services rendered and costs thereof, and approval of the same by the Task Force.

SECTION 5: FUNDING MECHANISM.

A. The current estimated cost for the preparation of plans and environmental review for the Project is $823,258, or $973,258 if the consultant prepares the Implementation Agreement. The Task Force shall periodically approve a contribution amount to be requested of all Regular Members, to be paid to and managed by the Project Manager consistent with the provisions of this Section 4, from which the Project Manager will meet the expenses incurred in implementing the Project. Contributions shall be apportioned among the Parties, as agreed to by the Parties. The initial levels of contribution are identified in Exhibit "B" to this Agreement.

B. The Conservation District as Project Manager shall coordinate Consultant retention, direction, coordination, and oversight in the planning and implementation of

the Project, and shall serve as the agency through which funds are to be conveyed and disbursed for the purpose of completing the Project.

C. The Conservation District shall establish a fund ("Fund") into which it will cause to be deposited all of the contributions received from the Task Force towards the estimated cost of the Project. It is intended that this Fund finance the Project in its entirety. In establishing the Fund, the Conservation District shall assure that all interest earned by the Fund is to be paid into the Fund, and made solely available for the funding of the Project. The Task Force may from time to time propose a cost-sharing formula differing from that attached as Exhibit "B", which designates the percentage of the total cost of the Project each Party will be required to contribute to the Fund. Upon approval by the Task Force of a contribution amount to be requested of the Regular Members, the Project Manager shall submit invoices to each Party requesting payment of their respective contributions, pursuant to the formula attached as Exhibit "B," or as otherwise proposed by the Task Force. Payment of these invoices shall be made to the Conservation District within 30 days of receipt of such invoice. If any Regular Member fails to timely remit payment of its share of the invoices in accordance to Exhibit "B" to this Agreement, the voting rights of such Regular Member shall be suspended until such time as the full amount of the invoice is paid, or the final resolution of any dispute regarding the invoice, as provided below. During such period of suspension, the Party shall enjoy only those rights and privileges as an Advisory Member of the Task Force.

D. Each Party reserves the right to approve its own contribution level to the Project, as well as its ultimate payment authority of invoices issued by the Project Manager, in whole or in part, on a per-invoice basis.

E. The Project Manager shall have authority and control of disbursements from the Fund. The Project Manager shall provide the Task Force with an accounting on at least a quarterly basis showing all disbursements, accrued interest, and other debits and credits to the Fund for the preceding quarter. Any amounts paid to the Project Manager shall not be subject to refund, except as provided herein.

F. Should a dispute arise between the Project Manager and any Party(ies) with respect to either an invoice submitted by the Consultant or any other disbursement from the Fund, the complaining Party(ies) shall notify the Project Manager in writing, specifying the nature of the objections, the reasons therefor, and the action the complaining Party(ies) requests the Project Manager to take in resolution of the dispute. Upon receipt of any such written objection, the Project Manager shall meet or otherwise confer with the complaining Party(ies) in a good faith effort to resolve the dispute. In the event such efforts do not result in resolution of the dispute within ten (10) days of the Project Manager's receipt of the written objection, the Project Manager shall refer the matter to the Task Force, and shall provide it with any and all receipts, invoices, or other documents necessary for the prompt resolution of the dispute. The Task Force shall consider and resolve the matter at its next scheduled meeting, but no later than thirty (30) days following the Project Manager's referral of the dispute to the Task Force. In resolving the dispute, the decision of the majority of the Regular Members of the Task Force shall be final.

G. Upon completion of the Project, or earlier termination of this Agreement, any unexpended Funds shall be returned to the Parties in proportion to their financial contribution.

SECTION 6: OWNERSHIP OF DOCUMENTS.

All work produced in association with the Project (including originals prepared by anyone in connection with, or pertaining to, the work of the Task Force) shall become the property of the Regular Members of the Task Force, and each of them.

SECTION 7: INDEMNIFICATION.

Neither the Project Manager nor any officer or employee thereof shall be responsible to any other Party for any damage or liability occurring by reason of anything done, or omitted to be done, by the Consultant, or in connection with any work, authority or jurisdiction delegated to the Project Manager under this Agreement. All Parties, and each of them, hold the Project Manager harmless from any claim, demand, suit of law or equity, or other proceeding arising from or relating to the Project Manager's performance of its obligations contemplated by this Agreement. Nothing herein shall be read or understood as indemnifying or holding the Conservation District, or any officer or employee thereof, harmless from any claim, demand, suit on law or equity, or other proceeding arising from or relating from the acts or omissions of the Conservation District while acting as a Party to this Agreement.

In addition, each Party agrees to indemnify, defend, and hold harmless each other Party and its officers, employees, agents, and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of its obligations under this Agreement.

In the event any Party is found to be comparatively at fault for any claim, action, or loss, or damage that results from their respective obligations under this Agreement, the Party(s) found to be at fault shall indemnify the other(s) to the extent of its comparative fault.

Federal agencies' obligations under this Agreement shall be to the extent permitted by the Federal Tort Claims Act.

SECTION 8: NOTICES.

All notices required to be provided hereunder, except meeting notices, shall be in writing, and either served personally or sent by United States Mail. Meeting notices may be provided by electronic mail correspondence. For these purposes, the addresses for the Parties and Advisory Members are as follows:

As to Cemex Construction Materials, LP:
Regional Environmental Manager
CEMEX
P.O. Box 4120
Ontario, CA 91761-1607

As to Robertson's Ready Mix:
Robertson's Ready Mix, Ltd.
Attention: Rich Robertson
P.O. Box 33140
Riverside, CA 92519

[As to Highland:
Community Development Director
City of Highland
27215 Base Line
Highland, CA 92346]

As to Redlands:
Community Development Director
City of Redlands
P.O. Box 3005
Redlands, CA 92373

As to SBCFCD:
Director
San Bernardino Co. Flood Control District
825 E. Third Street
San Bernardino, CA 92415-0835

As to Conservation District:
General Manager
San Bernardino Valley Water District
P.O. Box 1839
Redlands, CA 92373-0581

As to USFWS:
Field Supervisor
U.S. Fish & Wildlife Service
2730 Loker Avenue West
Carlsbad, CA 92008

As to County of Orange:
Attn: Mike Wellborn
Planning and Development Services
County of Orange
P.O. Box 4048
Santa Ana, CA 92702-4048

As to EVWD:
General Manager
East Valley Water District
P.O. Box 3427
San Bernardino, CA 92413

As to RUD:
Chief of Water Resources
Redlands Utilities Department
P.O. Box 3005
Redlands, CA 92373

As to San Bernardino County:
Land Use Services Department
Advance Planning Division
County of San Bernardino
385 North Arrowhead Avenue – 3rd Floor
San Bernardino, CA 92415-0182

As to BLM:
Field Manager, Palm Springs-South Coast
Field Office
Bureau of Land Management
P.O. Box 581260
North Palm Springs, CA 92258-1260

As to DFG:
Department of Fish & Game
P.O. Box 1217
Redlands, CA 92373

As to DWR:
Recreation and Environmental Studies
Department of Water Resources
770 Fairmont
Glendale, CA 91203

SECTION 9: ENTIRE AGREEMENT.

This Task Force Agreement contains the entire agreement of the Parties hereto with respect to the matters contained herein, and supersedes all negotiations, prior discussions, and preliminary agreements or understandings, written or oral relating to

the Task Force and Project Manager. No waiver or modification of this Agreement shall be binding unless consented to by all Parties in writing.

SECTION 10: WAIVER.

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

SECTION 11: COOPERATION: FURTHER ACTS.

All parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. All parties agree to act in good faith to execute all instruments, prepare all documents, and take all actions as may be reasonably necessary, appropriate or convenient to carry out the purposes of this Agreement.

SECTION 12: GOVERNING LAW.

This Agreement shall be governed by and construed under the laws of the State of California. Federal agency participation under this Agreement, however, shall be governed by the applicable federal laws.

SECTION 13: ATTORNEYS' FEES.

In the event the Task Force initiates or defends any litigation or other judicial or administrative proceeding in connection with the Project or this Agreement, retention of counsel to represent the Task Force, if required, shall be by the Project Manager, subject to the approval of the Task Force. The costs of such retention will be invoiced to the members of the Task Force in the same manner, and subject to the same procedures, as all other consultant costs invoiced to the Task Force. In any action or proceeding involving a dispute between the Parties arising out of this Agreement, the prevailing Party shall be entitled to receive from the other Party, reasonable attorneys' fees. The term "attorneys' fees" shall include reasonable costs for investigating the action, conducting discovery, cost of appeal, costs and fees for expert witnesses, and all other normally allowable costs incurred in such litigation, whether or not such litigation is prosecuted to final judgment. Service of process on any Party shall be made in any manner permitted by law and shall be effective whether served inside or outside of California.

Notwithstanding the foregoing, attorneys' fees and costs' recoverable against the United States, however, shall be governed by applicable federal laws.

SECTION 14: NO THIRD PARTY BENEFICIARIES.

There are no intended third party beneficiaries of any right or obligation assumed by the Parties. No member of, or delegate to, Congress or Federal Resident

Commissioner, shall be entitled to any share of this Agreement, or to any benefit that may arise from it.

SECTION 15: CONSTRUCTION: CAPTIONS.

The language of this Agreement shall be construed according to its fair meaning, and not for or against any Party hereto based on authorship. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

SECTION 16: SEVERABILITY.

Each provision of this Agreement shall be severable from the whole. If any provision of this Memorandum shall be found contrary to law, it is the intention of all the Parties, and each of them, that the remainder of this Agreement shall continue in full force and effect.

SECTION 17: INCORPORATION OF RECITALS.

The Recitals are incorporated herein and made an operative part of this Agreement.

SECTION 18: AUTHORITY TO ENTER INTO AGREEMENT.

All Parties warrant that they have all requisite power and authority to execute and perform this Agreement. Each person executing this Agreement on behalf of their party warrants that he or she has the legal power, right, and authority to make this Agreement and bind his or her respective Party, and that in so doing, such Party is not thereby in breach of any other contract or agreement.

SECTION 19: COUNTERPARTS.

This Agreement may be signed in counterparts, each of which shall constitute an original.

SECTION 20: EFFECTIVE DATE

The Effective Date of this Agreement shall be latest of the dates set next to the signatures of the parties hereto evidencing signature by all the parties hereto, which latest date shall be inserted into the preamble to this Agreement.

SECTION 21: NO ASSIGNMENT.

The rights and obligations of this Agreement may not be transferred, assigned, or encumbered by any Party hereto without the prior, express, written consent of a majority of the Regular Members of the Task Force.

SECTION 22: DISSOLUTION.

The Task Force may be dissolved upon a 2/3 majority vote of the regular members. Upon such dissolution, the Project Manager is entitled to pay all outstanding invoices, and distribute any remaining money in the Fund among the contributing members pro-rata according to each Party's respective financial contribution.

SECTION 23: TERMINATION.

A. Any Party may voluntarily terminate its participation under the Agreement at any time upon delivery of at least 60 days prior written notice to the Task Force.

B. The Task Force may, upon a 2/3 majority vote, terminate any Party's participation under the Agreement upon that Party's failure to make its pro-rata contribution:

(1) Within 30 days of the date said Party's contribution becomes due; OR

(2) Within 45 days after the Task Force resolves said Party's dispute over the payment of an invoice in favor of payment as set forth in Section 4(F) of this Agreement.

C. Upon a Party's termination from participation under the Agreement, the Project Manager shall return the portion of that Party's pro-rata contribution not expended by the Project Manager after paying invoices for all charges incurred during the period that Party served as a Member of the Task Force.

D. The termination of any member or members of the Task Force shall not affect the remaining Parties' obligations under this Agreement, except for redistribution of contributions described herein. This Agreement shall remain in effect until such time as 2/3 of the regular members vote to dissolve the Task Force as provided by Section 22 of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement as of the day and year set forth below, the last of which shall be the effective date of this Agreement.

APPROVED AS TO FORM:

Counsel for CEMEX

CEMEX CONSTRUCTION MATERIALS, LP, by CEMEX, Inc., its General Partner

APPROVED AS TO FORM:

Counsel for Robertson's Ready Mix, Ltd.

ROBERTSON'S READY MIX, LTD

UNITED STATES BUREAU OF LAND MANAGEMENT

Field Manager

APPROVED AS TO FORM:

General Counsel

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

President, Board of Directors

Attest: Secretary of the Board

APPROVED AS TO FORM:

General Counsel

EAST VALLEY WATER DISTRICT

President, Board of Directors

Attest: Secretary of the Board

APPROVED AS TO FORM:

City Attorney

REDLANDS UTILITIES DEPARTMENT

Mayor

Attest: City Clerk

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169068.19 .06/12/02

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement as of the day and year set forth below, the last of which shall be the effective date of this Agreement.

APPROVED AS TO FORM:

_____

Counsel for CEMEX

CEMEX CONSTRUCTION MATERIALS, INC.

_____

APPROVED AS TO FORM:

_____

Counsel for Robertson's Ready Mix, Ltd.

ROBERTSON'S READY MIX, LTD

_____

UNITED STATES BUREAU OF LAND MANAGEMENT

_____

Field Manager

APPROVED AS TO FORM:

_____

General Counsel

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

_____

President, Board of Directors

Attest: _____

Secretary of the Board

APPROVED AS TO FORM:

_____

General Counsel

EAST VALLEY WATER DISTRICT

_____

President, Board of Directors

Attest: _____

Secretary of the Board

APPROVED AS TO FORM:

_____

City Attorney

REDLANDS UTILITIES DEPARTMENT

_____

Mayor

Attest: _____

City Clerk

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APPROVED AS TO FORM:

_____

Counsel for CEMEX

CEMEX CONSTRUCTION MATERIALS, INC.

_____

APPROVED AS TO FORM:

_____

Counsel for Robertson's Ready Mix, Ltd.

ROBERTSON'S READY MIX, LTD

_____

UNITED STATES BUREAU OF LAND MANAGEMENT

_____

Field Manager

APPROVED AS TO FORM:

_____

General Counsel

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

_____

President, Board of Directors

Attest: _____

Secretary of the Board

APPROVED AS TO FORM:

_____

General Counsel

EAST VALLEY WATER DISTRICT

_____

President, Board of Directors

Attest: _____

Secretary of the Board

APPROVED AS TO FORM:

_____

City Attorney

REDLANDS UTILITIES DEPARTMENT

_____

Mayor

Attest: _____

City Clerk

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APPROVED AS TO FORM:

_____
Counsel for CEMEX

CEMEX CONSTRUCTION MATERIALS, INC.

_____

APPROVED AS TO FORM:

_____
Counsel for Robertson's Ready Mix, Ltd.

ROBERTSON'S READY MIX, LTD

_____

UNITED STATES BUREAU OF LAND MANAGEMENT

_____
Field Manager

APPROVED AS TO FORM:

David B. Cooper
General Counsel

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

Stirling Woodbury
President, Board of Directors

Attest: Barnell Cowan
Secretary of the Board

APPROVED AS TO FORM:

_____
General Counsel

EAST VALLEY WATER DISTRICT

_____
President, Board of Directors

Attest: _____
Secretary of the Board

APPROVED AS TO FORM:

_____
City Attorney

REDLANDS UTILITIES DEPARTMENT

_____
Mayor

Attest: _____
City Clerk

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APPROVED AS TO FORM:

_____
Counsel for CEMEX

CEMEX CONSTRUCTION MATERIALS, LP

_____

APPROVED AS TO FORM:

_____
Counsel for Robertson's Ready Mix, Ltd.

ROBERTSON'S READY MIX, LTD

_____

UNITED STATES BUREAU OF LAND MANAGEMENT

_____
Field Manager

APPROVED AS TO FORM:

_____
General Counsel

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

_____
President, Board of Directors

Attest: _____
Secretary of the Board

APPROVED AS TO FORM:

_____
General Counsel

EAST VALLEY WATER DISTRICT

Vice _____ George E. "Skip" Wilson
President, Board of Directors

Attest: _____ Robert E. Martin
Secretary of the Board

APPROVED AS TO FORM:

_____
City Attorney

REDLANDS UTILITIES DEPARTMENT

_____
Mayor

Attest: _____
City Clerk

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement as of the day and year set forth below, the last of which shall be the effective date of this Agreement.

APPROVED AS TO FORM:

_____
Counsel for CEMEX

CEMEX CONSTRUCTION MATERIALS, LP

_____

APPROVED AS TO FORM:

_____
Counsel for Robertson's Ready Mix, Ltd.

ROBERTSON'S READY MIX, LTD

_____

UNITED STATES BUREAU OF LAND MANAGEMENT

_____
Field Manager

APPROVED AS TO FORM:

_____
General Counsel

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

_____
President, Board of Directors

Attest: _____
Secretary of the Board

APPROVED AS TO FORM:

_____
General Counsel

EAST VALLEY WATER DISTRICT

_____
President, Board of Directors

Attest: _____
Secretary of the Board

APPROVED AS TO FORM:

N/A
_____
City Attorney

REDLANDS UTILITIES DEPARTMENT

_____
Mayor

Attest: _____
City Clerk

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169068.19 a06/12/02

APPROVED AS TO FORM:

_____
County Counsel

COUNTY OF SAN BERNARDINO

_____
Chairperson, Board of Supervisors

Attest: _____
Clerk of the Board

APPROVED AS TO FORM:

_____
County Counsel

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

_____
Chairperson, Board of Supervisors

Attest: _____
Clerk of the Board

APPROVED AS TO FORM:

_____
City Attorney

CITY OF REDLANDS

_____
Mayor

Attest: _____
City Clerk

[APPROVED AS TO FORM:]

[_____]
[City Attorney]

[CITY OF HIGHLAND]

[_____]
Mayor

[Attest: _____]
[City Clerk]

APPROVED AS TO FORM:

_____
County Counsel

COUNTY OF SAN BERNARDINO

_____
Chairperson, Board of Supervisors

Attest: _____
Clerk of the Board

APPROVED AS TO FORM:

_____
General Counsel

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

_____
Chairperson, Board of Supervisors

Attest: _____
Clerk of the Board

APPROVED AS TO FORM:

N/A
City Attorney

CITY OF REDLANDS

_____
Mayor

Attest: _____
City Clerk

[APPROVED AS TO FORM:]

[_____]
[City Attorney]

[CITY OF HIGHLAND]

[_____]
[Mayor]

[Attest: _____]
[City Clerk]

APPROVED AS TO FORM:

_____
County Counsel

COUNTY OF SAN BERNARDINO

_____
Chairperson, Board of Supervisors

Attest: _____
Clerk of the Board

APPROVED AS TO FORM:

_____
General Counsel

SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT

_____
Chairperson, Board of Supervisors

Attest: _____
Clerk of the Board

APPROVED AS TO FORM:

_____
City Attorney

CITY OF REDLANDS

_____
Mayor

Attest: _____
City Clerk

[APPROVED AS TO FORM:]

[_____]
[City Attorney]

[CITY OF HIGHLAND]

[_____]
[Mayor]

[Attest: _____
[City Clerk]

EXHIBIT "A": CONCEPT PLAN (Executive Summary)

AREAS TO BE MINED UNDER SMARA, AREAS FOR WATER CONSERVATION,

AND AREAS FOR PROTECTION OF HABITAT

PROPOSED LAND MANAGEMENT AND HABITAT CONSERVATION PLAN FOR THE UPPER SANTA ANA RIVER WASH

D. Burnell Cavender, AICP
General Manager
San Bernardino Valley Water Conservation District

Introduction

The land area between the mouth of the Santa Ana River Canyon, down stream of the new Seven Oaks Dam on the east, Interstate 215 (I-215) on the west, the cities of Highland and Redlands to the north and south, respectively, is known locally as the Upper Santa Ana River Wash (Wash) (Fig 1). A part of that Wash, containing approximately 5,200 acres, from the canyon mouth to Alabama Street on the west and bounded by the cities, has been the subject of intense planning the past three years. This area is known as the Wash Planning Area or the "WPA" (Fig 2).

Historically, the Wash was a natural flood plain and alluvial fan. In the past, the flood plain has provided a place to convey frequently devastating flood waters and deposit sediment. The alluvial deposit provides excellent geologic conditions to establish settling basins for percolating surface water to the groundwater basin, providing a significant part of the water supply for the local region. These same geologic conditions provide regionally significant deposits of sand and gravel as classified by the California Department of Conservation, that are used to support the local economy. In recent years, the value of the Wash as habitat for a variety of sensitive, threatened, and endangered species has become more apparent due to the decrease in this type of habitat throughout Southern California (Fig 3). Because the Wash is a unique open space and corridor, the County of San Bernardino (County) and the cities of Highland and Redlands are also planning to establish a series of recreational trails in and around the Wash. These important functions within the Wash, flood control, water conservation, mineral extraction, and wildlife habitat, are often in direct competition for much of the same land. It has been apparent since the early 1980s that a land management plan for the future use of the Wash would be needed to maintain other public services (water supply facilities, transportation and utility corridors, and recreation/trails), provide areas for the extraction of valuable construction materials, and preserve declining sensitive habitats.

In 1993, representatives of numerous agencies, including water, mining, flood control, wildlife and municipal interests, formed a Wash Committee to address local mining issues. Subsequently, the role of the Committee was expanded to address all the land functions in the Wash. The Wash Committee began meeting again in 1997 to determine how to use the WPA to accommodate all the important functions identified above. A Policy Action Committee (PAC) was established consisting of elected officials from the County, cities of Highland and Redlands, and the San Bernardino Valley Water Conservation District (District), and the Field Manager from the U.S. Bureau of Land Management (BLM). A Technical Advisory Committee (TAC) was formed with

representatives of the PAC agencies and other water, mining, flood control, and wildlife interests. The District chairs and provides staff support for the Committees.

The TAC, in concept, wiped the WPA clean of land ownership lines (Fig 4) and began anew to decide how the land could best be used. As a result of extensive workshops during 1998 and 1999, a conceptual Coordinated WPA map has been developed. As expected, the way the land might best be used and the way the land use was planned were not the same, nor does it conform to current land ownership. For example, the TAC found that some land proposed for mining was better suited for joint use by water conservation and wildlife habitat while other areas proposed for habitat preservation could be used better for mining. It became apparent that to make a plan work, land ownership would have to change, in particular, a land transfer or exchange between the BLM and the District, and areas leased by the District for mining.

A general consensus of the TAC was reached in early 2000 on the areas within the WPA designated for the specified land uses, which is the basis of the Land Management and Habitat Conservation Plan (Plan) (Fig 5). As stated, the proposed designations for land use crossed land ownership (3 public and 2 private) and land use authority lines (2 cities and the County). The TAC determined that mining expansion is best addressed by consolidating the future mining activity into one large area adjacent to existing mining operations within the western half of the WPA. This focuses extraction activities on lands currently disturbed by mining and lands with the least long-term wildlife habitat value. Furthermore, the TAC determined that portions of the BLM land designated as Areas of Critical Environmental Concern (ACEC) were either previously disturbed or were fragmented by adjacent mining activities, and thus would be better suited for mining expansion. Some of the most intact, viable wildlife habitat areas are contained within lands that are leased for future mining and currently used for water conservation. The TAC concluded that some of these lands were best suited for joint use as water and habitat conservation rather than mining. For example, the up-gradient side of a percolation basin dike could be wetted and periodically contain water for water-dependent species; whereas, the down-gradient side could generally remain undisturbed, except for maintenance and repair of the percolation basin dike and, therefore, could support other wildlife species common to the WPA.

Refinements in land use boundaries were made and agency and jurisdictional coordination was accomplished. The result of this effort is a proposed Plan that designates areas of the WPA for specific uses. The Plan will allow the existing and future Wash activities and land functions to occur and establish habitat preserves.

It is imperative that the principles that will govern the use, management, and conservation of the WPA be set forth in legally binding documents to which all concerned parties can agree. The PAC believes that there are sufficient lands in the WPA that can be divided equitably among the advocates to accommodate the needs for water conservation and supply facilities, aggregate extraction, and flood protection, while providing land for wildlife habitat and recreation.

It is equally important to note that if this coordinated Plan is not implemented, the consequences could be very grave for each of the primary use groups. Without the Plan, attempts to expand water conservation to meet future demands, develop additional aggregate resources, or effectively protect habitat will likely be held up by legal proceedings. Such action could result in

piecemeal planning, thus impairing the ability to reach an effective compromise. If local land use agencies make decisions regarding mining development in the WPA, without considering a coordinated plan, there could be greater environmental degradation and reduced ability to meet future water supply demands. On the other hand, if local officials make land use decisions that significantly restrict water conservation activities and mining, the reduced availability of water and aggregate resources may impact the economic development of the region. The affect of not implementing this Plan is that none of the groups would be able to accomplish its goals.

Proposed Project Description Summary

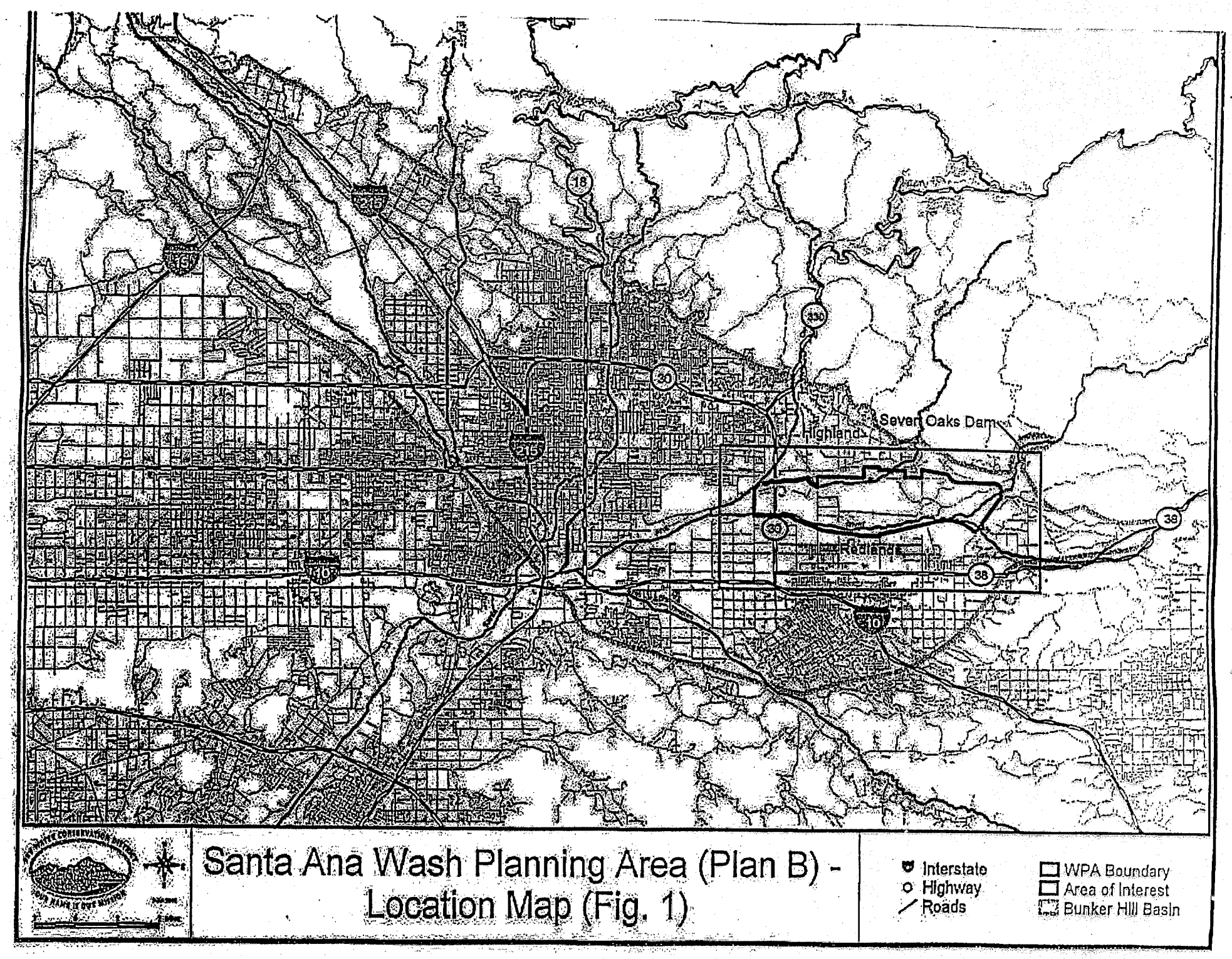
The proposed project is a Land Management and Habitat Conservation Plan (Plan) for the Upper Santa Ana River Wash Planning Area. The land area addressed in this Plan is part of the overall alluvial fan and flood plain located along the Santa Ana River one mile downstream from the new Seven Oaks Dam between the cities of Highland on the north and Redlands to the south. The City of San Bernardino, to the northwest, is the largest city in the San Bernardino Valley. The WPA covers approximately 5,200 acres and starts at the canyon mouth at Greenspot Road, extends for some six miles to Alabama Street, and is as much as two miles wide.

The Plan will coordinate and accommodate existing ongoing and anticipated future activities planned to occur in the WPA, establish habitat preserve areas, and provide recreational trails. Each function will occupy designated specific areas within the WPA best suited for that function and will also accommodate the other competing uses for the overall benefit of the WPA. These existing and future activities include the following:

- Water conservation of both native and (when necessary) imported water resources for groundwater basin replenishment to augment public water supplies;
- Flood control, and management of the Seven Oaks Dam releases;
- Aggregate extraction and processing;
- Protection and conservation of sensitive and listed native species and habitat;
- Recreation planning including a portion of the Santa Ana River trail system; and
- Utilities, transportation, and water supply corridors and facilities.

The final approved Plan, its associated actions and permits, and environmental review will provide the necessary information for jurisdictional approvals for the described activities to move forward. The Plan, when implemented will be considered a "Win-Win-Win" for all the water, utility and service functions, mineral resource management, and environmental resource preservation.

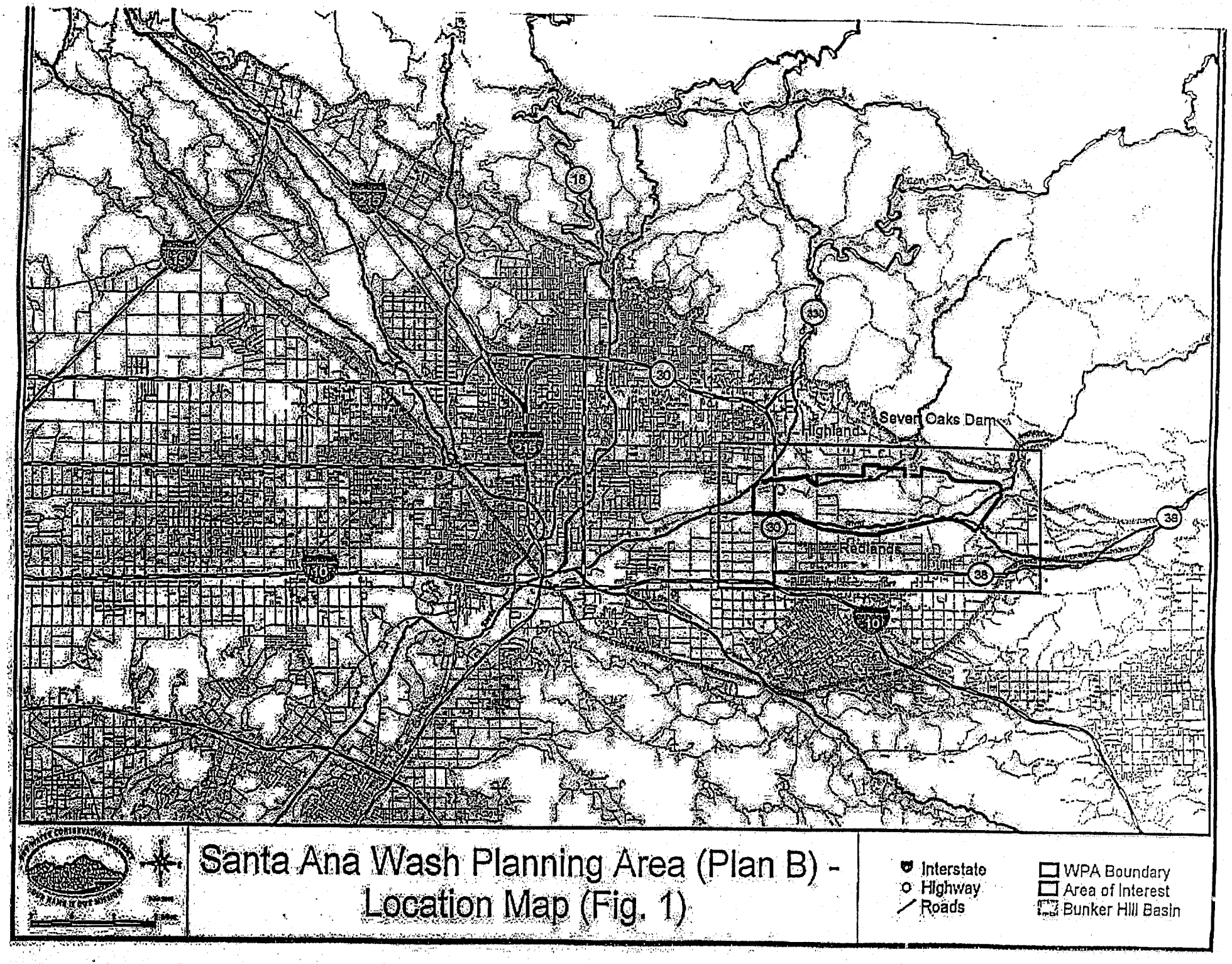
As staff for the Wash Committee, the District invites your questions and support for this inter-relational concept plan. You may call me at 909-793-2503, or write to me at P.O. Box 1839, Redlands, CA 92373.



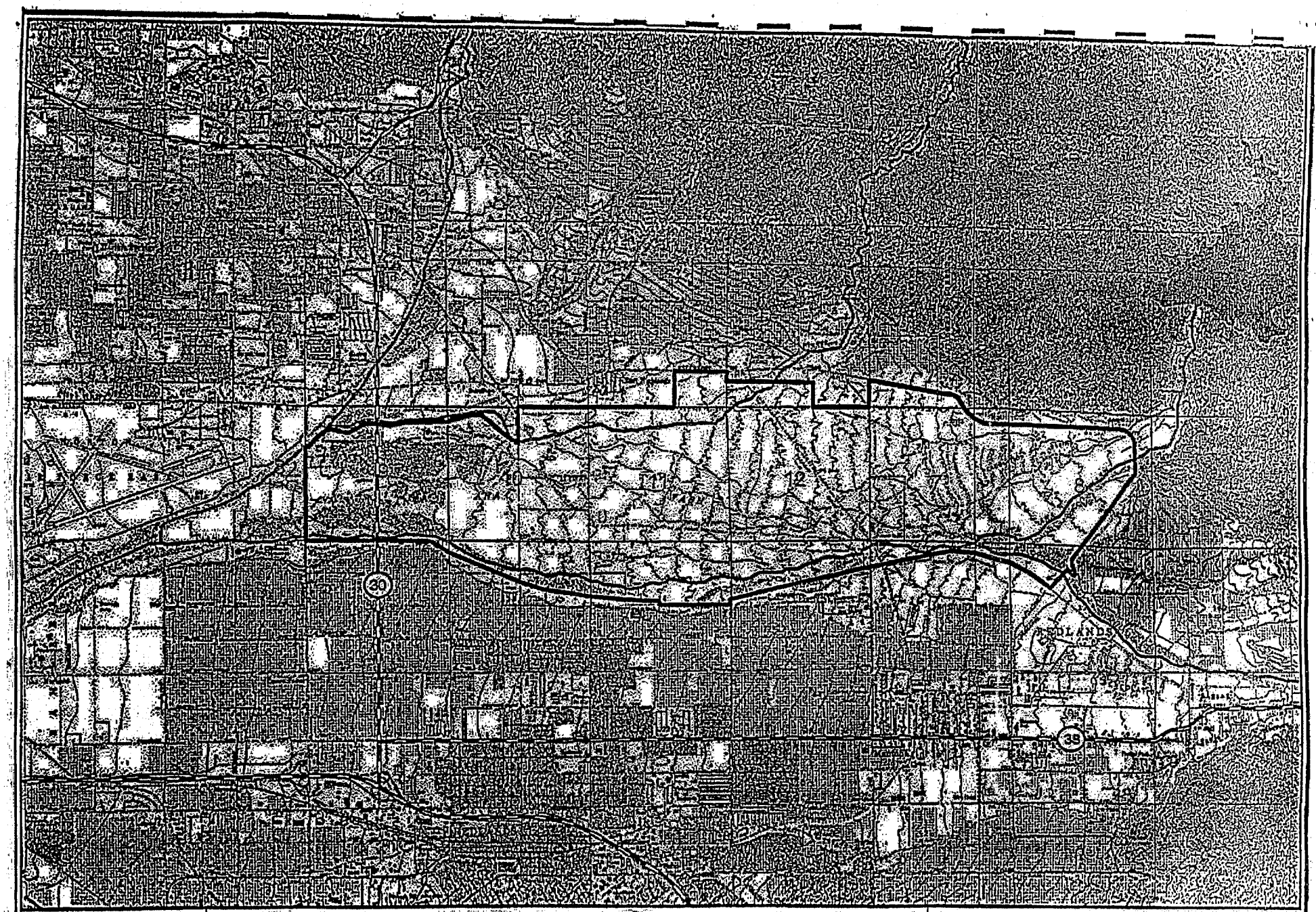
Santa Ana Wash Planning Area (Plan B) - Location Map (Fig. 1)

Interstate
Highway
Roads

WPA Boundary
Area of Interest
Bunker Hill Basin

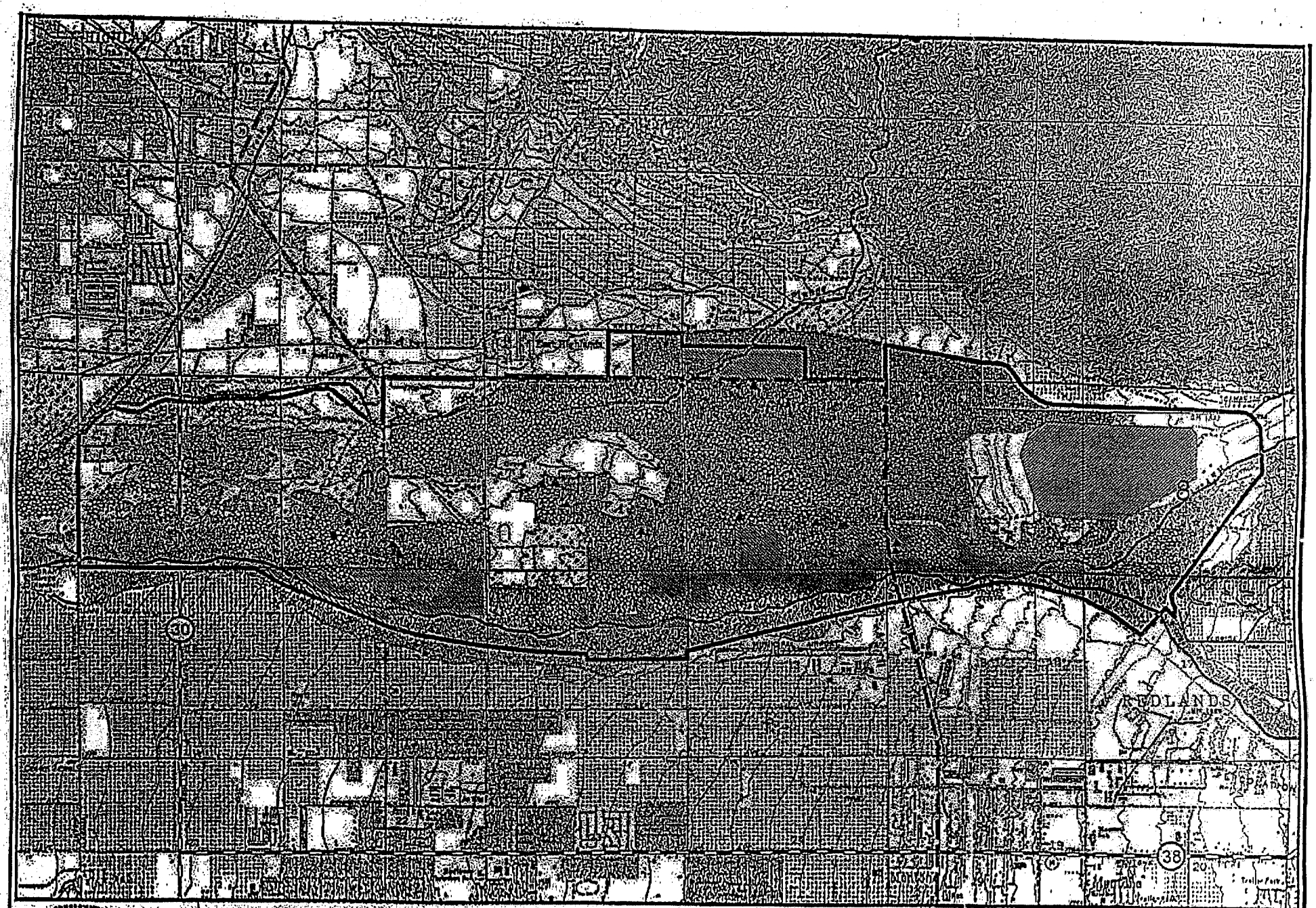


Santa Ana Wash Planning Area (Plan B) - Location Map (Fig. 1)



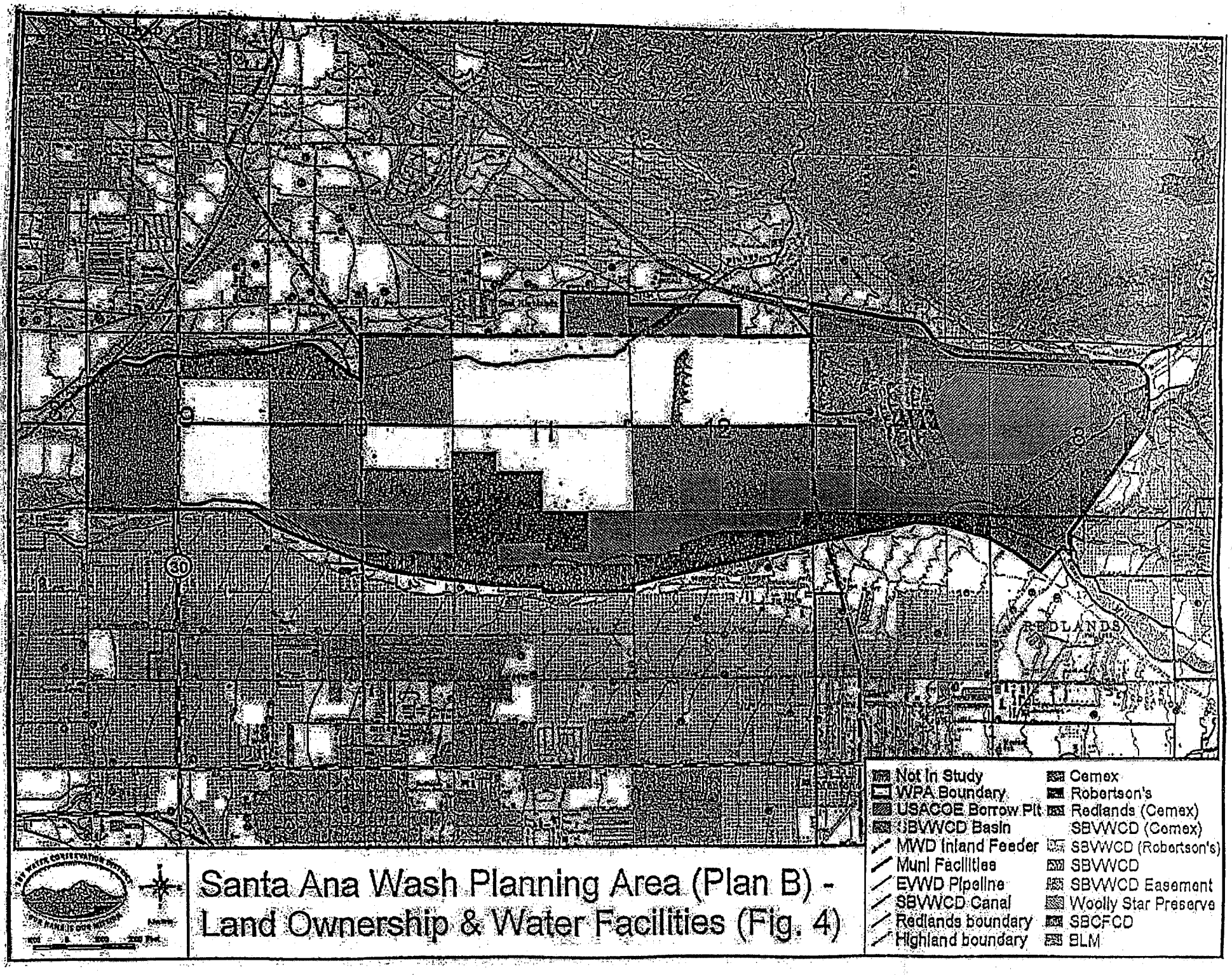
Santa Ana Wash Planning Area (Plan B) - Wash Planning Area (Fig. 2)

- Highway
- Section Lines
- Rivers/Creeks
- WPA Boundary
- SOD Impoundment

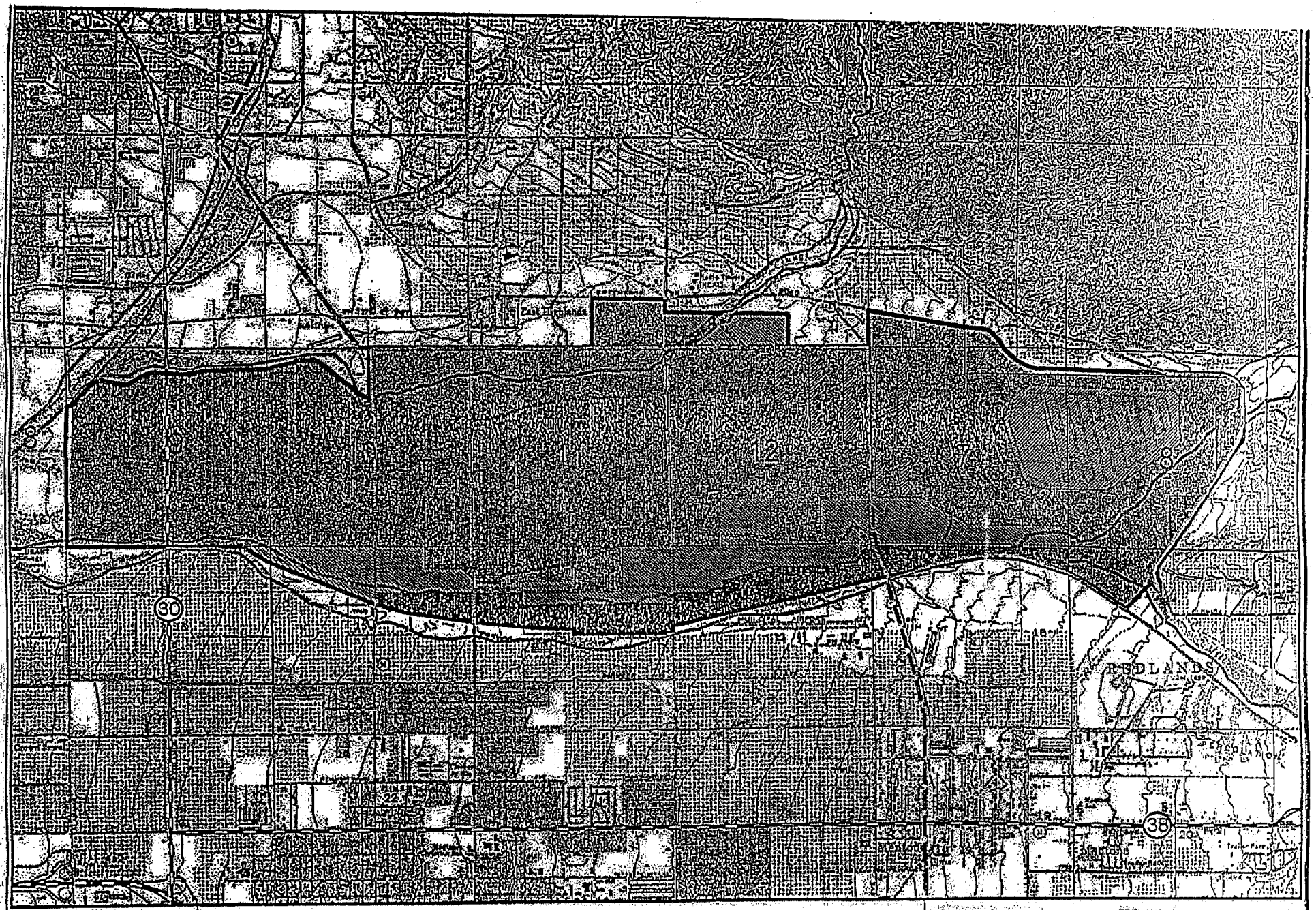


Santa Ana Wash Planning Area (Plan B) - Biological Resources (Fig. 3)

- Pioneer Sage Scrub
- Interm. Sage Scrub
- Mature Sage Scrub
- Spineflower
- Woolly Star
- WPA Boundary
- USACOE Borrow Pit
- Woolly Star Preserve
- Poss. K-rat Hab.
- Not In Study



Santa Ana Wash Planning Area (Plan B) - Land Ownership & Water Facilities (Fig. 4)



Santa Ana Wash Planning Area (Plan B) - Land and Habitat Management Plan (Fig. 5)

- Not In Study
- WPA Boundary
- USACOE Borrow Pit
- SBVWCD Basin
- Planned Basin
- Mining
- Flood Control
- Habitat / Water Cons.
- Water Cons. / Habitat
- Woolly Star Preserve

EXHIBIT "B": TASK FORCE CONTRIBUTION LEVELS

Allocation to the Parties of their share of the costs associated with the Project is as set forth below in the following proportions:

AGENCY	RESPONSIBILITY FOR FINANCIAL CONTRIBUTION
CEMEX	24.774
ROBERTSON'S READY MIX	24.774
SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT	24.644
EAST VALLEY WATER DISTRICT	3.226
REDLANDS UTILITIES DEPARTMENT	3.226
COUNTY OF SAN BERNARDINO	6.452
SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT	6.452
CITY OF REDLANDS	6.452

Should the cost to complete financing of the Project exceed the total current estimated charges set forth above, the Task Force will have the responsibility of obtaining any required additional funding from each of the Parties. Any such additional funding shall be assessed to those Parties in the above-mentioned proportions, or as otherwise determined by the Task Force.

Note that in the event the City of Highland joins the Task Force as a Regular Member pursuant to the provisions of Section 2 (H) of this Agreement, the contribution levels set forth here will be superseded by the levels set forth in Exhibit "B-1."

EXHIBIT "B-1": TASK FORCE CONTRIBUTION LEVELS IN THE EVENT CITY OF HIGHLAND JOINS AS A REGULAR MEMBER

Allocation to the Parties of their share of the costs associated with the Project is as set forth below in the following proportions:

AGENCY	RESPONSIBILITY FOR FINANCIAL CONTRIBUTION
CEMEX	23.272
ROBERTSON'S READY MIX	23.272
SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT	23.152
EAST VALLEY WATER DISTRICT	3.030
REDLANDS UTILITIES DEPARTMENT	3.030
COUNTY OF SAN BERNARDINO	6.061
SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT	6.061
CITY OF HIGHLAND	6.061
CITY OF REDLANDS	6.061

Should the cost to complete financing of the Project exceed the total current estimated charges set forth above, the Task Force will have the responsibility of obtaining any required additional funding from each of the Parties. Any such additional funding shall be assessed to those Parties in the above-mentioned proportions, or as otherwise determined by the Task Force.

This schedule of contribution levels shall only become effective if the City of Highland joins the Task Force as a Regular Member pursuant to the provisions of Section 2 (H) of this Agreement.

EXHIBIT "C": PROJECT FLOW DIAGRAM

EXHIBIT "C"

PROPOSED LAND MANAGEMENT & HABITAT CONSERVATION PLAN "PROJECT"

10/03/01
02/13/02
Special

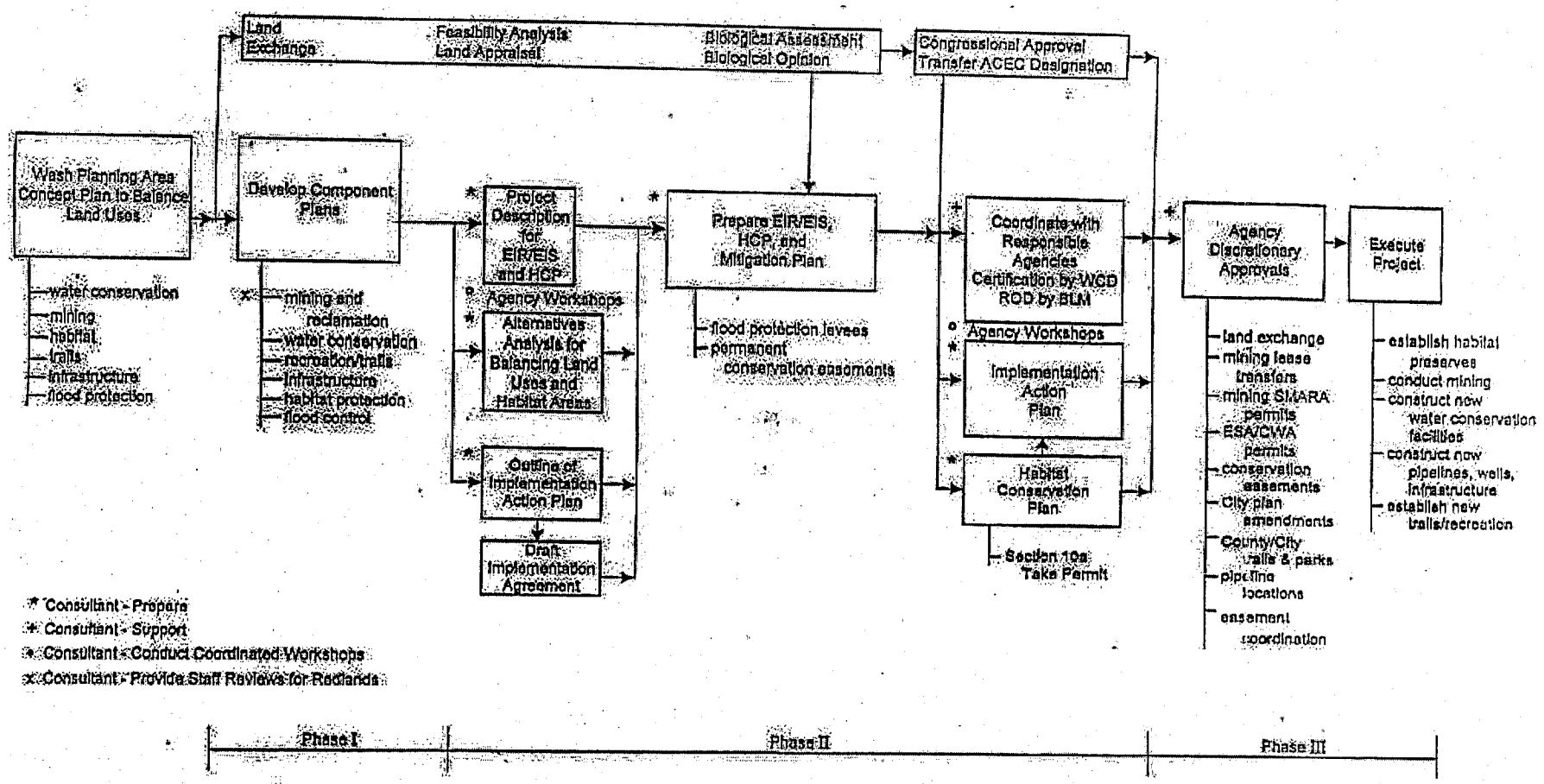


EXHIBIT "C-1": PROJECT FLOW DIAGRAM IN THE EVENT CITY OF HIGHLAND JOINS AS A REGULAR MEMBER

EXHIBIT "C-1"

PROPOSED LAND MANAGEMENT & HABITAT CONSERVATION PLAN "PROJECT"

10/03/01
02/13/02
Special

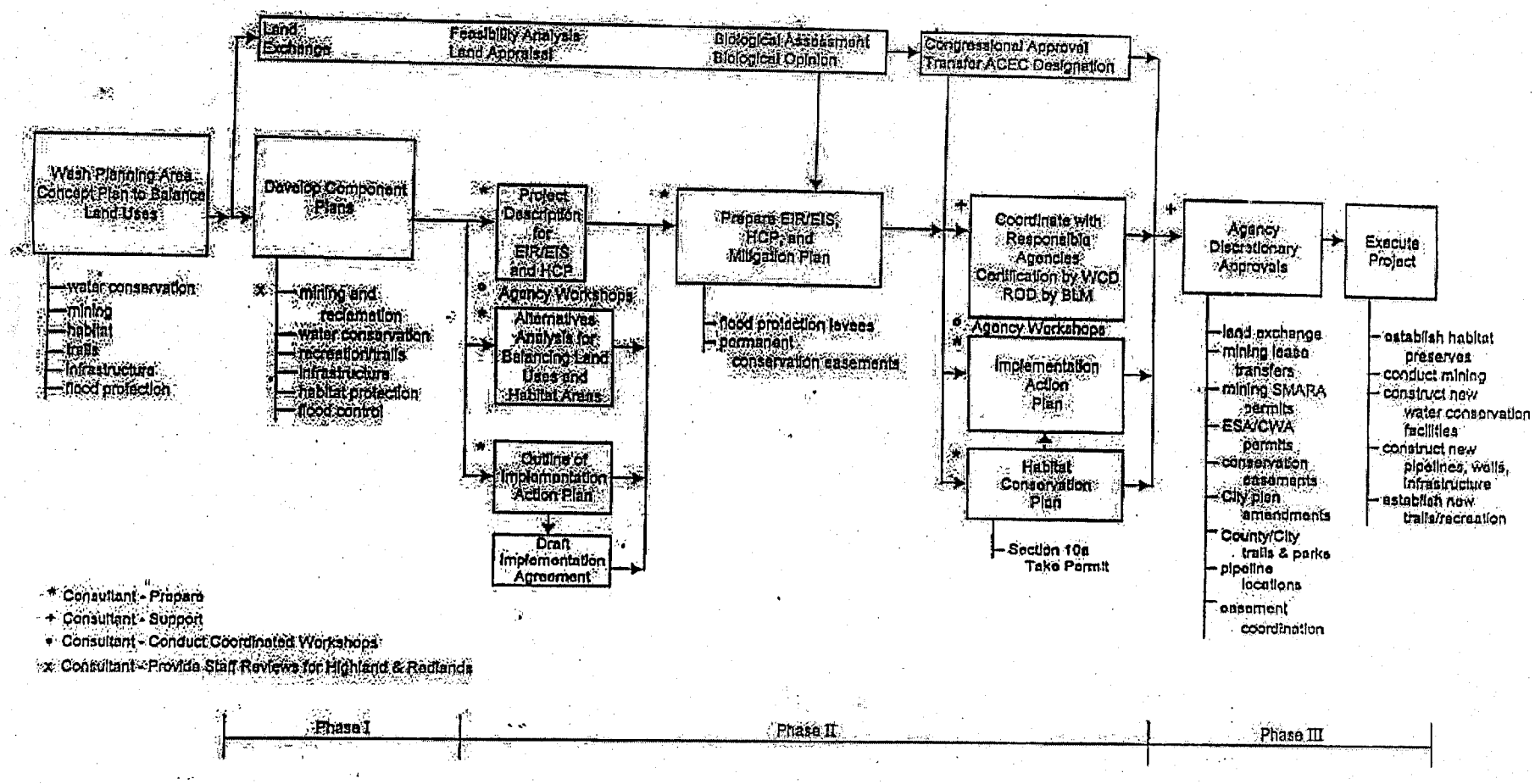


EXHIBIT "D": REVISIONS TO AGREEMENT IN THE EVENT CITY OF HIGHLAND JOINS AS A REGULAR MEMBER

In the event the City of Highland joins the Task Force as a Regular Member pursuant to, and in compliance with, the provisions of Section 2 (H) of this agreement, the parties hereto have agreed to certain modifications of the text of the Task Force Agreement, which will serve as amendments thereto, effective immediately and prospectively upon inclusion of the City of Highland as a Regular Member pursuant to Section 2 (H). These amendments are set out below:

Section 1 (A) 3): A Recreation Plan, which coordinates the planning and development of trails, parks, and public recreation areas, which will be provided by Conservation District, San Bernardino County, Highland, and Redlands.

Section 1 (A)(4): An Infrastructure Plan, which describes the location of pipelines, utility corridors, roads, bridges, highways, and communication facilities, which will be provided by the Conservation District, San Bernardino County, Highland, and Redlands.

Section 1 (F): Task Force submit the EIR/EIS, Implementation Action Plan, and Habitat Conservation Plan to the appropriate agencies for their action and, if adopted, subsequent implementation. The EIR/EIS shall not be certified by the Lead Agency as to those portions of the Project occurring within the jurisdictional boundaries of the City of Highland if, prior to the time the Lead Agency certifies the EIR/EIS, it has been disapproved by the City Council of the City of Highland. The EIR/EIS shall not be certified by the Lead Agency as to those portions of the Project occurring within the jurisdictional boundaries of the City of Redlands if, prior to the time the Lead Agency certifies the EIR/EIS, it has been disapproved by the City Council of the City of Redlands.

Section 2 (B)(2): The California Department of Water Resources (DWR), the California Department of Fish and Game (DFG), the United States Fish and Wildlife Service (USFWS), and County of Orange are hereby designated as Advisory members of the Task Force.

Section 4 (B)(1): Revise Section 4 (B)(1) to read as follows:

Serve as the Lead Agency under CEQA and as assistant to BLM, which is the Lead Agency under NEPA, provided, however, that on issues relating to definition of level of significance for impacts, existence of and mitigation for significant adverse environmental impacts, and formulation of a mitigation monitoring program for those portions of the Project requiring permits under SMARA, the Project Manager shall accept and incorporate into the EIR/EIS the collective determinations of the applicable agencies with SMARA permitting authority for such aspects of the Project, and in the absence of any agreement by such agencies, shall refer determination of such issues to the Task Force;

Exhibit "B": Replace with Exhibit "B-1."

EXHIBIT "D": REVISIONS TO AGREEMENT IN THE EVENT CITY OF HIGHLAND JOINS AS A REGULAR MEMBER
(CONTINUED)

Exhibit "C": Replace with Exhibit "C-1."

WHEN RECORDED PLEASE RETURN TO:

San Bernardino Valley
Water Conservation District
303 Brookside Avenue
Redlands, CA 92373

1

NO FEE
A

RECORDED IN OFFICIAL RECORDS
SEP 9 1976 AT 8 A.M.
V. DENNIS WARDLE
CLERK-RECORDER
SAN BERNARDINO COUNTY, CALIF.

SANTA ANA RIVER – MILL CREEK

COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

SBVMWD LEGAL
DOCUMENT 00615

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SANTA ANA RIVER - MILL CREEK

COOPERATIVE WATER PROJECT AGREEMENT

This Agreement is concluded by and between the Parties hereto to provide for the efficient and economical use of Local and Import Water supplies and shall be known as "The Cooperative Water Project Agreement," hereinafter sometimes referred to as "Agreement."

1. RECITALS

The Eligible Entities (as hereinafter defined), other than the San Bernardino Valley Municipal Water District, have water rights, including in certain cases water rights on the Santa Ana River and on Mill Creek, and have, in many cases for over seventy years, exercised those water rights for the purpose of supplying water to the water users of their respective Entities. Such Entities also have existing facilities which they have used for the development, diversion, and transmission of water from their respective sources of supply.

The San Bernardino Valley Water Conservation District has been engaged for many years in conserving and spreading water from the Santa Ana River and Mill Creek for the purpose of groundwater replenishment pursuant to rights which it holds for such purpose.

The San Bernardino Valley Municipal Water District has a contract with the State of California Department of Water Resources pursuant to the State Water Project under which it is importing a water supply into the San Bernardino Valley. Said District is presently engaged in the construction of local distribution facilities to make Import Water available for direct delivery, including groundwater recharge.

Pursuant to engineering studies which indicate that all of the Eligible Entities, as defined herein, will benefit from a cooperative water supply plan, it is the desire of the Parties to provide for the Parties' beneficial use of existing Local Water and of the available Import Water supply on an integrated basis utilizing various exchanges and transfers in order to provide the most economical, efficient, and dependable supply possible at a minimum of expense to water users and the taxpayers and to conserve energy. The studies indicate that the plan is of mutual benefit to all of the Eligible Entities and that

there will be no adverse effects or penalties to any of them or to other Entities not signatory to this Agreement.

2. DEFINITIONS

As used herein, the following terms shall have the meanings set forth below:

a. Entity: An individual, partnership, corporation (including a mutual water company), or public agency.

b. Eligible Entity: Any Entity eligible to become a Party hereto as set forth in Section 3, below.

c. Party: Any Eligible Entity signatory to this Agreement in accordance with its terms and conditions.

d. Management Committee: The committee comprised of one representative from each Party to this Agreement.

e. Project Manager: The San Bernardino Valley Water Conservation District or any other public agency appointed by the Management Committee and approved by the San Bernardino Valley Municipal Water District, acting under the supervision of the Management Committee.

f. Import Water: Water imported by and belonging to San Bernardino Valley Municipal Water District pursuant to its contract with the State of California Department of Water Resources from the State Water Project.

g. Local Water: All water supplies, except Import Water, available to an Entity.

h. Entitlement Water: Local Water to which a Party has an entitlement as described in Exhibit A, which water rights are not necessarily any Party's total claim to water rights in the respective source listed. This definition is solely for purposes of this Agreement and not for the purpose of defining or establishing water rights with respect to any Party.

i. Exchange Water: Local Water or Import Water delivered to a Party in exchange for Entitlement Water. The quantity of Exchange Water delivered to a Party plus Deferred Exchange Water Credits earned by a Party shall be equal to the quantity of that Party's Entitlement Water delivered to and used by the Management Committee.

j. Simultaneous Exchange: Delivery of Exchange Water substantially at the same time the Party's Entitlement Water is being delivered to others. Unless otherwise provided in the rules adopted by the Management Committee, delivery of Simultaneous Exchange Water shall be at the same rate of flow and completed within 24 hours of the delivery of Entitlement Water.

k. Deferred Exchange: Delivery of Entitlement Water to others for a future delivery of Exchange Water. Deferred Exchange shall be made only as provided in Section 5f below.

l. Deferred Exchange Water Credit: A water credit for the quantity of Entitlement Water delivered to others in a Deferred Exchange.

m. Supplemental Water: Any water requested by and delivered to a Party other than said Party's Entitlement Water or Exchange Water.

n. Cooperative Water Project Facilities: Certain facilities constructed or to be constructed and owned and maintained by San Bernardino Valley Municipal Water District which shall be operated by the San Bernardino Valley Municipal Water District in accordance with the Project Manager's instructions to effectuate this Agreement, subject to the provisions of Section 15. These facilities are shown conceptually on Plate I herein.

o. Associated Water Facilities: Water facilities at or near the mouth of Santa Ana Canyon and Mill Creek owned by various Parties to this Agreement which shall be operated by the owners thereof in accordance with the Project Manager's instructions to effectuate this Agreement, as shown generally on Plates 2 and 3 herein.

p. Cooperative Water Project: Those facilities and the operational plan defined herein that permit the substitution of Exchange Water for Entitlement Water.

q. Historical Conditions: Methods and facilities used to take Entitlement Water into the respective distribution systems of the Parties prior to construction of the Cooperative Water Project Facilities.

r. Edison Company: The Southern California Edison Company, a corporation organized under the laws of the State of California.

s. Year: A calendar year unless specified otherwise.

t. State Contract: Contract between the State of California Department of Water Resources and the San Bernardino Valley Municipal Water District for a Water Supply, dated December 30, 1960, and all amendments thereto, heretofore or hereafter concluded.

3. ELIGIBLE ENTITIES

The following Entities shall be eligible to become Parties to this Agreement:

a. Bear Valley Mutual Water Company, a mutual water company, hereinafter referred to as "Bear Valley."

b. City of Redlands, a municipal corporation, hereinafter referred to as "Redlands."

c. Crafton Water Company, a mutual water company, hereinafter referred to as "Crafton."

d. East San Bernardino County Water District, a county water district organized and existing under the County Water District Law, Water Code Sections 30000, et seq, hereinafter referred to as "East San Bernardino."

e. Lugonia Water Company, a mutual water company, hereinafter referred to as "Lugonia."

f. North Fork Water Company, a mutual water company, hereinafter referred to as "North Fork."

g. Redlands Water Company, a mutual water company, hereinafter referred to as "Redlands Water."

h. San Bernardino Valley Municial Water District, a municipal water district organized and existing under the Municipal Water District Law of 1911, Water Code Sections 71000, et seq, hereinafter referred to as "Valley District."

i. San Bernardino Valley Water Conservation District, a water conservation district organized and existing under the Water Conservation District Law of 1931, Water Code Sections 74000, et seq, hereinafter referred to as "Conservation District."

j. Yucaipa Valley County Water District, a county water district organized and existing under the County Water District Law, Water Code Sections 30000, et seq, hereinafter referred to as "Yucaipa District."

4. CONSTRUCTION OF COOPERATIVE WATER PROJECT FACILITIES

Subject to availability of funds, to budgetary, supply, and construction restraints, and to obtaining necessary approvals, permits, and agreements, Valley District shall design and construct the Cooperative Water Project Facilities so as to provide for delivery of water at the maximum flow rates and at the delivery points hereinafter specified. Each of the Parties shall have reasonable opportunity to inspect and study the Valley District's plans and specifications for all Cooperative Water Project Facilities during the planning stage and prior to the solicitation of bids for the construction thereof and may make comments and recommendations thereon to Valley District. Valley District shall make all reasonable efforts to commence construction of the first increment of the Cooperative Water Project Facilities, which consist of the facilities listed in Exhibit D, on or before

April 1, 1977, and bring the first increment to completion with reasonable diligence thereafter. Construction of additional increments will be scheduled by Valley District on a basis of need to meet water demands as determined by Valley District in consultation with the Management Committee. The obligations of Valley District hereunder shall be subject to the following specific conditions:

a. Facilities shown on Exhibit D which are required exclusively or primarily to deliver water to an Eligible Entity which does not become a Party to this Agreement by the effective date of this Agreement need not be built as a part of the first increment of the Cooperative Water Project Facilities nor at any subsequent time until the Eligible Entity shall become a Party.

b. The construction of facilities which would be physically, legally, or economically usable only in the event of the conclusion of the agreement with Edison Company provided for in Section 10 hereof shall be contingent upon the satisfactory conclusion of such an agreement.

c. The construction of facilities which are subject to a requirement of obtaining an approval or permit either for the construction of or for the use of such facilities shall be contingent upon obtaining such approval or permit in form satisfactory to Valley District. Valley District shall attempt to obtain all necessary approvals and permits with reasonable diligence.

d. Valley District with the advice of the Management Committee will schedule the construction of the facilities listed in Exhibit D to keep expenditures within the funds available to Valley District for construction of said facilities.

5. DELIVERY PROVISIONS

a. General

Subject to the delivery of Exchange Water by the Management Committee to replace any Entitlement Water delivered pursuant hereto, each of the Parties having Entitlement Water hereby makes available to the Management Committee said Party's supply of Entitlement Water for delivery and use pursuant to the terms of this Agreement.

East San Bernardino hereby makes available to the Management Committee, for exchange, water it is entitled to receive from North Fork by virtue of its ownership of North Fork stock. However, at such time as North Fork becomes a Party to this Agreement, East San Bernardino shall no longer be required to make the water from its stock ownership in North Fork available for exchange.

The Management Committee may cause delivery of water to be made to any Party entitled to and/or requesting said delivery from any source available to the Management Committee. In exercising its discretion hereunder, the Management Committee shall act on the basis of securing the maximum efficiency and economy in the use of the Local and Import Water supplies available to it.

All water deliveries shall be subject to:

(1) Rules and regulations adopted by the Management Committee.

(2) Scheduling requirements of the Management Committee.

(3) Payment of any charge imposed therefor.

(4) Limitations of available water supplies and capacity in the delivery facilities (including Valley District's Foothill Pipeline).

b. Import Water

Valley District hereby makes Import Water available to the Management Committee as scheduled for delivery and use as Exchange Water and Supplemental Water, subject to the availability of Import Water from the State Water Project, the equal rights of others within the boundaries of Valley District to receive Import Water, requirements for water service other than pursuant hereto, all of the requirements imposed by Valley District's contract with the State of California Department of Water Resources, and all applicable laws and regulations of water service.

c. Exchange Water and Supplemental Water

The Management Committee shall cause to be delivered to each of the Parties Exchange Water to replace any Entitlement Water made available by such Party and used by the Management Committee by Simultaneous Exchange, unless otherwise scheduled by the Party concerned and approved by the Management Committee. Exchange Water shall be delivered to each of the Parties at the points and up to the maximum instantaneous rates of flow specified in Exhibit B.

In addition to such deliveries, the Management Committee shall schedule Supplemental Water deliveries to any Party requesting the same.

d. Use of Cooperative Water Project Facilities to Convey Entitlement Water

A Party may request from the Management Committee delivery of any portion of its Entitlement Water through the Cooperative Water Project Facilities subject to availability of capacity in said facilities and to scheduling limitations.

Nothing in this Agreement shall be construed as authorizing the transport of Entitlement Water outside the boundaries of Valley District without prior approval of the Management Committee; however, in the case of a Party whose own boundaries extend beyond the boundaries of Valley District, that Party may transport Entitlement Water anywhere within its own boundaries.

e. Local Water

The Management Committee shall cause to be delivered to Valley District upon request Local Water if made available by a Party or Parties at flow rates, times, and at the delivery points specified by Valley District to the extent possible, using Cooperative Water Project Facilities, subject to Valley District delivering to the Management Committee an equal quantity of Import Water at the flow rates, times, and to delivery points as required to permit the Management Committee to make said delivery of Local Water to Valley District.

f. Deferred Exchange Water

All Parties with Deferred Exchange Water Credits shall be entitled to receive Deferred Exchange Water for such credits upon request. A Party's Deferred Exchange Water Credits shall be utilized by said Party within a two-year period subsequent to the accumulation of Deferred Exchange Water Credits, unless approved otherwise by the Management Committee.

g. Priorities

After provision for deliveries is made to Valley District and the San Gorgonio Pass Water Agency pursuant to Section 15 of this Agreement, then in case of scheduling, water availability, or facility constraints in any portion of the Cooperative Water Project Facilities, water deliveries in such portion shall be scheduled by the Management Committee on the following basis:

(1) First priority shall be given to Simultaneous Exchange Water.

(2) Second priority shall be given to Deferred Exchange Water.

(3) Third priority shall be given to Supplemental Water.

(4) Fourth priority shall be given to Entitlement Water delivered through Cooperative Water Project Facilities.

(5) Fifth priority shall be any use of the Cooperative Water Project Facilities by parties other than Eligible Entities.

h. Instructions

The Project Manager shall issue all instructions as directed by the Management Committee necessary to deliver water under the terms of this Agreement to the Parties using the Cooperative Water Project Facilities and the Associated Water Facilities.

6. MANAGEMENT

a. Management Committee

A Management Committee comprised of one person representing each of the Parties is hereby established.

(1) Duties: The Management Committee shall be responsible for:

(a) Setting operating rules, regulations, and policies not covered herein;

(b) Approving or disapproving requests for scheduling deliveries of water;

(c) Supervising the work of the Project Manager;

(d) Assisting in resolving disputes between Parties; and,

(e) Advising Valley District on pertinent design, construction, operations, and pricing policies.

(2) Appointments and Terms: Each of the members of the Management Committee shall be appointed by the Party he represents and shall serve at the pleasure of the appointing Party for a period of four (4) years and/or until appointment of a replacement. Notice of appointments shall be filed with the Project Manager. Members shall receive no compensation for their services; provided that in each case the appointing Party may provide such compensation as it deems appropriate.

(3) Quorum and Vote Required for Action: A majority of the members of the Management Committee not in default of this Agreement shall constitute a quorum for the transaction of business, and the vote of a majority of all of the members of the Committee shall be required to take any action.

(4) Officers: At its first meeting in each Year, the Management Committee shall select a chairman and such other officers as it may require. The Management Committee shall select a secretary who may be, but need not be, a member of the Management Committee. Said secretary shall keep an accurate record of all of its proceedings.

(5) Meetings and Notices: The Management Committee shall hold regular meetings at places and times to be specified in the rules to be adopted by the Management Committee. Notice of the scheduled or regular meetings and of any changes in time or place thereof shall be mailed to all persons who shall have filed a request therefor in writing with the Management Committee.

(a) Special meetings may be called at any time by the chairman or by any three (3) members of the Management Committee and shall be noticed as required by Government Code Section 54956.

(b) All meetings of the Management Committee shall be held in conformance with the requirements of Government Code Sections 54950, et. seq.

(6) Incurring of Expenses: Except as herein specifically provided, the Management Committee shall not be authorized to incur any expense on behalf of any or all of the Parties without the written consent of such Party or Parties.

b. Project Manager

Subject to the supervision of the Management Committee, the administration and management of the Cooperative Water Project Facilities shall be the responsibility of the Project Manager, which shall act as the executive arm of the Management Committee with the duty and responsibility to implement Management Committee rules, regulations, and policies and to direct the rate, time, place, and source of all water deliveries from the Cooperative Water Project Facilities and the Associated Water Facilities in accordance with the Management Committee's instructions.

c. Administrative Expenses

Expenses of the Project Manager and expenses of the Management Committee, except compensation for the services of the Management Committee members, shall be paid by Valley District. Valley District's payments for these expenses shall not exceed the budgeted amount set forth in an annual agreement between Valley District, the Project Manager, and the Management Committee without the consent of Valley District. Said agreement shall include terms and conditions of payment and rates of compensation for all services to be provided under said agreement.

7. OWNERSHIP AND OPERATION OF FACILITIES

Each of the Parties hereto shall retain the ownership of its own facilities together with full responsibility for their operation, maintenance, and replacement. The Associated

Water Facilities shall be operated in accordance with the Management Committee's instructions. The Cooperative Water Project Facilities shall be operated in accordance with the Project Manager's instructions to effectuate this Agreement, subject to the provisions of Section 15.

8. WATER QUALITY

All water delivered pursuant to this Agreement will be untreated and shall be of a quality suitable for its intended use, it being understood that suitability is to be determined by a rational method which includes consideration of the quality of the local water used prior to the adoption and implementation of this Agreement. This Agreement is adopted with the understanding that the present quality of Local, Exchange, Entitlement, Supplemental, and Import Water appears to be suitable for the intended uses. Each of the Parties agrees to operate its facilities so that the quality of the water is not impaired or degraded during diversion, transportation, or delivery.

If any Party is in violation of any water quality standards imposed on said Party by any governmental agency or unit because the quality of Exchange Water being delivered to said Party is lower than the quality of said Party's Entitlement Water, then said Party shall be entitled to revert to its Historical Conditions until the Exchange Water quality allows reasonable compliance with such standards.

9. RECORDS

Each Party hereto shall maintain such records and shall file such reports as may be reasonably required by the Management Committee and as may be required by law to protect any water rights affected hereby. In the event any of the Parties shall fail to maintain such records, the Management Committee may direct the Project Manager to estimate and maintain such records for such Party, and such Party shall be charged with the cost thereof.

The Project Manager shall be responsible for maintaining records on all water delivered pursuant to this Agreement.

The Management Committee shall have the right to measure flows of water as needed to satisfy the provisions of this Agreement; necessary access for said measurements will be provided without charge to the Management Committee by the Parties to this Agreement.

10. EDISON COMPANY AGREEMENTS

There are existing agreements between certain Parties to this Agreement and the Edison Company, including, but not limited to, a Grant Deed from Edison Company to Crafton dated February 27, 1929, and a Grant Deed from Crafton to Edison Company dated December 18, 1931. Valley District shall undertake with reasonable diligence to make the new arrangements and agreements with the Edison Company, Crafton and Bear Valley necessitated by the Cooperative Water Project Agreement and to use its best efforts therefor, provided that any such agreement which may in any way alter, modify, change, or affect the rights of any Party hereto under any existing agreements shall not be effective without the consent of such Party.

11. SHORTAGE OF SUPPLY OR TEMPORARY REDUCTION OR CESSATION OF DELIVERIES

a. Scheduled Shutdowns

Each of the Parties shall notify the Project Manager of a scheduled shutdown of any facility that would cause interruption of the Cooperative Water Project.

b. Interruption of Service

In the event of interruption of service in any portion of either the Cooperative Water Project Facilities or the Associated Water Facilities, the Project Manager may, to the extent possible, continue limited operations, and Parties whose delivery of Exchange Water has been interrupted will accrue Deferred Exchange Water Credit for such Exchange Water not delivered during the interruption of service, and such Deferred Exchange Water Credit shall not be subject to the two-year limitation stated in Section 5f but shall maintain its validity until used.

c. Temporary Discontinuance

If the Project Manager is unable to deliver quantities and qualities of water as provided for in this Agreement, it will immediately notify all the affected Parties that the Exchange Program is going to be temporarily discontinued until delivery schedules can be met or until the cause of the interruption is remedied.

After receiving notice of the temporary discontinuance of the Cooperative Water Project, each Party may revert to its Historical Condition.

When the Project Manager is again able to deliver the quantities and qualities of water as scheduled, it shall immediately notify the Parties and resume deliveries.

d. Continuity of Service

When it is necessary to interrupt service, the Project Manager and the Parties shall cooperate to minimize the down time and to restore service to all Parties as soon as possible.

12. BREACH

a. Right to Revert to Historical Conditions

In addition to any other remedies provided by law, in the event the terms and conditions of this Agreement are not complied with and there are no reasonable alternatives, any Party adversely affected by such breach and which is not itself in default may withhold delivery of its Entitlement Water and revert to its Historical Conditions until such breach is remedied.

b. Preliminary Determination of Serious Breach

A preliminary determination that such a breach has occurred may be made (1) by the Party concerned, with the concurrence of the Project Manager, or (2) without the concurrence of the Project Manager, in the manner hereinafter specified. In the event a Party claims such a breach has occurred and the Project Manager disagrees, the Party claiming breach has occurred shall poll other members of the Management Committee and, if any other two (2) members agree that such a breach has occurred, those members shall so certify to the Project Manager a breach has occurred. Immediately upon any preliminary determination that such breach has occurred, the Project Manager shall cause the Party claiming the breach to receive its Entitlement Water under Historical Conditions.

c. Rights to Judicial Relief Unaffected by Preliminary Determination

Nothing herein shall prevent any Party from seeking judicial relief either before or after any preliminary determination, and no preliminary determination shall be binding upon or affect the rights of any Party in connection with such a judicial proceeding.

13. WITHDRAWAL FROM THE COOPERATIVE WATER PROJECT AGREEMENT

No Party shall be entitled to withdraw from this Agreement without the written consent of all other Parties.

14. PROVISIONS WITH RESPECT TO PRESERVATION, TRANSFER, CONDEMNATION, AND DEFENSE OF WATER RIGHTS

With respect to the water rights to produce and use the Entitlement Water set forth in Exhibit A, it is agreed between the Parties hereto that the following shall apply:

a. Non-Use of Water

No Party hereto will lose any such water right by non-use, by use by another Party, by exchange, or by prescription.

b. Transfer

Each Party hereto may sell, mortgage, transfer, or otherwise alienate any such rights, provided that in the event of any such sale, transfer, foreclosure, or alienation of such rights, the transferee shall take such rights subject to the terms and conditions of this Agreement and shall be bound thereby. Prior to the consummation of any such sale, transfer, foreclosure, or alienation, the prospective transferee shall execute an instrument expressly assuming all of the obligations of the transferor under this Agreement with respect to such rights and deliver said instrument to the Management Committee. Until such instrument is so executed and delivered, such transaction shall be void.

c. Rights

The execution of this Agreement by the Parties hereto shall not be construed as constituting any alteration in the respective priorities or terms of any of the rights held by any of the Parties or any admission with respect to any of the rights or claims set forth herein. Between the Parties hereto the Management Committee shall consider that each Party has the rights claimed until otherwise instructed by the Party claiming such right or by the determination of the court with jurisdiction so to do.

d. Condemnation

Each of the Parties hereto, to the extent allowed by law, undertakes not to condemn or take, without consent of the owner thereof, any water rights, sources of water supply, water diversion, production or transmission facilities, or corporate stock owned by any Party hereto, which is subject to the terms of this Agreement, so long as the owner thereof is not in default hereunder.

e. Defense

Each of the Parties hereto shall be responsible for the defense of any rights claimed or asserted by it to produce and use the Entitlement Water set forth in Exhibit A hereto. As against anyone not a Party to this Agreement, Valley District shall defend this Cooperative Water Project Agreement and all rights arising from it.

f. Covenant and Lien

The provisions of this Agreement are hereby declared to be for the benefit of the water rights of the Parties hereto to produce and use the Entitlement Water set forth in Exhibit A. Said provisions are hereby made a covenant binding upon the owners of each such water right and their successors, heirs, transferees, and assigns for the benefit of the owners of each such other water right and their successors, heirs, transferees and assigns. The benefits and burdens of said covenant shall run with said water rights of the Parties hereto.

Each of the Parties hereto hereby grants a lien upon the said water rights to the other Parties hereto to secure its obligations hereunder, which lien shall be appurtenant to the said water rights of the other Parties hereto.

g. Successors and Assigns

Each and all of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the Parties hereto and their respective successors, heirs, transferees, and assigns.

h. None of the provisions of this Section 14 shall apply to or preclude Bear Valley from voluntarily or involuntarily transferring to Big Bear Municipal Water District, free and clear of any obligations of Bear Valley under this Agreement, all of the rights of Bear Valley to impound the natural water supply of Bear Valley behind Bear Valley Dam and later release such water which would otherwise flow in the Santa Ana River.

15. USE OF COOPERATIVE WATER PROJECT FACILITIES FOR DELIVERY OF WATER BY VALLEY DISTRICT

a. Use of Facilities

The Cooperative Water Project Facilities shall be available to Valley District for use as part of its water transmission facilities and may be used by it for the delivery of water to any Entity, whether a Party hereto or not.

b. San Gorgonio Pass Water Agency

Valley District has a contract with the San Gorgonio Pass Water Agency (Pass Agency) dated July 16, 1970, under which the Pass Agency has the option to obtain capacity in certain water transmission facilities constructed by Valley District and to receive deliveries of water or the right to operate the facilities, all upon the terms specified therein. The Cooperative Water Project Facilities to be constructed by Valley District constitute a portion of the water transmission facilities subject to the said contract, and in the event the Pass Agency exercises its option with respect thereto shall be constructed, maintained, and operated in compliance with the terms of the said contract.

16. WATER CHARGES AND PAYMENT PROVISIONS

Charges for water deliveries made under this Agreement and provisions for payment shall be as listed below.

Said charges shall be reasonable and shall conform to the applicable provisions of Section 1611 of the Civil Code, State of California.

a. Charge for Supplemental Water

The charges to be made by the Project Manager to any Party to this Agreement for Supplemental Water per acre-foot shall be computed by the following formula:

$$\text{Supplemental Water Charge per Acre-Foot} = E - S + C \ \underline{\text{or}} \ E - S + P + L$$

whichever is greater

where:

E = The variable operation, maintenance, power, and replacement component of the Department of Water Resources Transportation Charge per acre-foot* incurred by Valley District.

S = Direct water spreading costs per acre-foot spread by the Conservation District,, not to exceed $3.00 per acre-foot.

C = Dollar amount equal to power generation credit per acre-foot from Devil Canyon power generation plant.

P = Cost of energy incurred by Valley District to convey Supplemental or Entitlement Water to said Party per acre-foot.

L = Power loss charges incurred by Valley District in conveying Supplemental or Entitlement Water to said Party per acre-foot.**

**As defined in Section 26 of the State Contract.*

***Power loss charges are defined as those charges resulting from the loss of electric power generation from existing hydroelectric plants on Mill Creek and Santa Ana River.*

If Valley District sets any charges upon a basis which, if applied, would result in a lower charge than is provided for above, then charges computed on said basis shall be substituted for the charges provided for above as long as said basis is in effect.

The charges for Supplemental Water provided for in this Agreement shall be in effect for a period beginning with the effective date of this Agreement and ending ten (10) years thereafter; beginning ten (10) years after the effective date of this Agreement the charges to Parties to this Agreement shall be as set by Valley District.

b. Simultaneous Exchange Water Charge

There are to be no charges made by the Project Manager to any Party for Simultaneous Exchange Water under the terms and conditions of this Agreement.

c. Deferred Exchange Water Charge

The charge to be made by the Project Manager to any Party to this Agreement for Deferred Exchange Water shall be the amount of all additional costs required to deliver water on the Deferred Exchange basis over and above the amount of the costs for making said deliveries on a Simultaneous Exchange basis.

d. Charges for Conveyance of Entitlement Water through Cooperative Water Project Facilities

Charges to be made by the Project Manager for the use of the Cooperative Water Project Facilities by Parties to this Agreement for conveyance of Entitlement Water shall be as follows: During the period beginning with the effective date of this Agreement and ending ten (10) years thereafter, $2.50 per acre-foot + P + L as P and L are defined above. Beginning ten (10) years after the effective date of this Agreement, these charges shall be as set by Valley District, except that they shall not exceed the following: The amount of all costs for making such deliveries including, but not limited to, operations, maintenance, energy, repair, replacement, overhead, and capital costs.

In the event the Management Committee with the approval of Valley District decides to convey all or any portion of the 9 cfs presently going from the forebay of Santa Ana Powerhouse No. 3 to the Boullioun Box through the Cooperative Water Project Facilities, that portion shall be exempt from any conveyance charge.

e. Provisions of Payment

Provisions for payment to the Project Manager by the Parties to this Agreement for water charges are as follows:

(1) The Project Manager shall provide monthly invoices to each Party of monies due the Project Manager.

(2) The Parties to this Agreement shall make payment to the Project Manager within thirty (30) days after receipt of said invoices.

(3) The Project Manager shall remit to Valley District all payments received under this Section within five (5) days of receipt.

17. ADDITIONAL PARTIES

After the effective date of this Agreement, additional Entities may become Parties hereto upon application to and approval by the Management Committee and written consent of all of the Parties not in default of this Agreement.

18. AMENDMENTS

This Agreement may be amended at any time by written agreement signed by all of the Parties.

19. OPINIONS AND DETERMINATIONS

Where the terms of this Agreement provide for action to be based upon the opinion, judgment, approval, review, or determination of any Party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

20. NOTICE

Any notice pursuant hereto shall be deemed to have been properly given if delivered personally or if enclosed in a properly addressed envelope and deposited in the United States mail for delivery First Class, postage prepaid.

Unless and until formally notified otherwise, notice may be given to each of the Parties addressed as follows:

Bear Valley Mutual Water Company
101 East Olive Avenue
Redlands, California 92373

City of Redlands
P. O. Box 280
Redlands, California 92373

Crafton Water Company
P. O. Box 627
Mentone, California 92359

East San Bernardino County Water District
P. O. Box 3427
San Bernardino, California 92413

Lugonia Water Company
101 East Olive Avenue
Redlands, California 92373

North Fork Water Company
P. O. Box 3427
San Bernardino, California 92413

Redlands Water Company
101 East Olive Avenue
Redlands, California 92373

San Bernardino Valley Municipal Water District
P. O. Box 5906
San Bernardino, California 92412

San Bernardino Valley Water Conservation District
303 Brookside Avenue
Redlands, California 92373

Yucaipa Valley County Water District
P. O. Box 458
Yucaipa, California 92399

21. APPROVALS REQUIRED, EFFECTIVE DATE, AND MECHANICS OF EXECUTION

This Agreement shall become effective among the Parties executing the same sixty (60) days after it shall have been executed by the Conservation District, Valley District, Bear Valley, Crafton, Redlands, and Redlands Water.

This Agreement may be executed in counterparts so that the same copy need not be signed by each of the Parties hereto. Upon execution of each counterpart, said counterpart shall be delivered to the Conservation District and, when the required number of counterparts has been received, the Conservation District shall give notice to each of the Eligible Entities hereunder stating the date of execution of the last required counterpart and the date 60 days thereafter upon which the Agreement shall become effective. Upon such effective date, this Agreement shall become effective among all of the Eligible Entities which have executed said Agreement by said effective date, and the Conservation District shall attach all of the signature pages from the counterparts to one copy of the Agreement and shall mail a copy of the conformed Agreement to each of the Parties executing the same. From and after the effective date, any non-signatory Entity shall be eligible to become a Party hereto only in the manner provided in Section 17.

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

DATED: May 5-1976.

BEAR VALLEY MUTUAL WATER COMPANY

By Donald S. Rudman
President

Betty Jaquekar
Secretary

Approved:
SURR & HELLYER
By Robert Birnbach
Attorney

DATED May 6, 1976

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

STATE OF CALIFORNIA)
: ss.
COUNTY OF SAN BERNARDINO)

On this 6th day of May, 1976, before me, the undersigned a Notary Public in and for said County and State, personally appeared ROBERT J. BIERSCHBACH, a member of the law firm of SURR & HELLYER, known to me to be the person who executed the foregoing instrument on behalf of said law firm, and acknowledged to me that such law firm executed the same.

WITNESS my hand and official seal.

(OFFICIAL SEAL)
MOIRE E. ALEXANDER
NOTARY PUBLIC - CALIFORNIA
SAN BERNARDINO COUNTY
My Commission Expires Oct. 26, 1978

Moire E. Alexander
Notary Public

STATE OF CALIFORNIA)
: ss.
COUNTY OF SAN BERNARDINO)

On this 6th day of May, 1976, before me, the undersigned, a Notary Public in and for said County and State, personally appeared DONALD C. S. ANDERSON, known to me to be the President, and BETTY FARQUHAR, known to me to be the Secretary, of BEAR VALLEY MUTUAL WATER COMPANY, a corporation, the corporation that executed the within instrument, and known to me to be the persons who executed said instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal.

OFFICIAL SEAL
PATRICIA L. MERRITT
NOTARY PUBLIC CALIFORNIA
PRINCIPAL OFFICE IN
SAN BERNARDINO COUNTY
My Commission Expires October 2, 1979

Patricia L. Merritt
Notary Public

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

DATED: June 15, 1976

CITY OF REDLANDS

By _____
Mayor

By: _____
City Clerk

Approved:

_____
Attorney

OFFICIAL SEAL
LORETTA C. POYZER
NOTARY PUBLIC - CALIFORNIA
SAN BERNARDINO COUNTY
My Commission Expires June 3, 1977

State of California)
County of San Bernardino) SS

On June 15, 1976, before me, the undersigned, a Notary Public in and for said State, personally appeared Charles G. DeMirjyn, known to me to be the Mayor, and Peggy A. Moseley, known to me to be the City Clerk of the City of Redlands that executed the within Instrument, on behalf of the City of Redlands and acknowledged to me that the City of Redlands executed the within instrument pursuant to its City Council meeting of June 15, 1976.

WITNESS my hand and official seal.

_____
Loretta C. Poyzer
DATED _____

15

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

CRAFTON WATER COMPANY

By Ralph L. Lechner
President

Peggy A. Jacinto
Secretary

Approved:

_____
Attorney

DATED June 16, 1976

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

STATE OF CALIFORNIA
COUNTY OF SAN BERNARDINO } SS.

On June 16, 1976 before me, the undersigned, a Notary Public in and for said County and State, personally appeared Ralph F. Sechrest, known to me to be the _____ President, and Peggy A. Jacinto, known to me to be _____ Secretary of the corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

Signature Alice E. Smith

Alice E. Smith
Name (Typed or Printed)
Notary Public in and for said County and State

Staple

Misc.-165 (G.S.) Ack. Corporation (Rev. 12-63)

Staple

FOR NOTARY SEAL OR STAMP

OFFICIAL SEAL
ALICE E SMITH
NOTARY PUBLIC CALIFORNIA
PRINCIPAL OFFICE IN
SAN BERNARDINO COUNTY
My Commission Expires December 29, 1978

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

EAST SAN BERNARDINO
COUNTY WATER DISTRICT

By Philip A. Doib
President

Bernice A. Eastwood
Secretary

Approved:

Robert J. Dennis
Attorney

DATED August 9, 1976

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

STATE OF CALIFORNIA,

COUNTY OF SAN BERNARDINO } ss.

ON August 9, 19 76,
before me, the undersigned, a Notary Public in and for said State, personally appeared

Philip A. Disch, Bonnie R. Eastwood and Robert J. Farrell, known to me,
to be the person s whose name s are subscribed to the within Instrument,
and acknowledged to me that they executed the same.

WITNESS my hand and official seal.

Elisabeth Perkins
Notary Public in and for said State.

ELISABETH PERKINS
NOTARY PUBLIC
SAN BERNARDINO COUNTY
CALIFORNIA
My Commission Expires February 26, 1978

ACKNOWLEDGMENT—General—Wolcotts Form 233—Rev. 3-64

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

LUGONIA WATER COMPANY

By _____
President

_____
Secretary

Approved:

_____
Attorney

DATED May 20, 1976

STATE OF CALIFORNIA)
) ss.
County of San Bernardino)

On May 20, 1976, before me, the undersigned, a Notary Public in and for said County and State, personally appeared G. R. REES, BETTY FARQUHAR and EDWIN B. HALES, known to me to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same.

OFFICIAL SEAL
EDWIN R. HALES
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
SAN BERNARDINO COUNTY
My Commission Expires March 13, 1978

_____
EDWIN R. HALES, Notary Public

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

SANTA ANA RIVER - MILL CREEK

COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

NORTH FORK WATER COMPANY

By _____
President

_____
Secretary

Approved:

_____
Attorney

Dated: 8-4-76

STATE OF CALIFORNIA
COUNTY OF SAN BERNARDINO } ss.

On August 4th 1976 before me, the undersigned, a Notary Public in and for said State, personally appeared ARNOLD L. WRIGHT, known to me to be the _____ President, and HOWARD H HENDRICKS, known to me to be the _____ Secretary of the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the Corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

(Seal) _____

NAME (TYPED OR PRINTED)
Notary Public in and for said State

LEROY H. ROEBKE
NOTARY PUBLIC
SAN BERNARDINO COUNTY
CALIFORNIA
My Commission Expires May 11 1979

Acknowledgment—Corp.—Wolcotts Form 2224-S

LEROY H. ROEBKE
NOTARY PUBLIC
SAN BERNARDINO COUNTY
CALIFORNIA
My Commission Expires May 11, 1979

STATE OF CALIFORNIA
COUNTY OF Madera } ss.

On this 10th day of August in the year one thousand nine hundred and -76- before me, the undersigned, a Notary Public, State of California, duly commissioned and sworn, personally appeared Denslow Green

known to me to be the person ..... whose name is ..... subscribed to the within instrument and acknowledged to me that .....he..... executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the ..... County of Madera ..... the day and year in this certificate first above written.

OFFICIAL SEAL
JOANN HERNANDES
NOTARY PUBLIC - CALIFORNIA
MADERA COUNTY
My comm. expires SEP 23, 1978
219 South "D" St., Madera, CA 93637

Notary Public, State of California

My commission expires 9-23-78

Cowdery's Form No. 32—Acknowledgement—General (C. C. Sec. 1190a)

Printed 12/72

10

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

REDLANDS WATER COMPANY

By _____
President

_____
Secretary

Approved:

_____
Attorney

DATED June 7, 1976

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

TO 449 C
(Corporation)

TI

STATE OF CALIFORNIA
COUNTY OF San Bernardino } SS.

On June 7, 1976 before me, the undersigned, a Notary Public in and for said State, personally appeared Lloyd Yarbrough, known to me to be the _____ President, and Betty Farquhar, known to me to be _____ Secretary of the corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature Elaine V. Leathy

Elaine V. Leathy
Name (Typed or Printed)

OFFICIAL SEAL
ELAINE V. LEATHY
NOTARY PUBLIC - CALIFORNIA
SAN BERNARDINO COUNTY
My Commission Expires April 11, 1977

(This area for official notarial seal)

STAPLE HERE

1

12

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

SAN BERNARDINO VALLEY
MUNICIPAL WATER DISTRICT

By _____
President

_____
Secretary

Approved:

_____
Attorney

DATED July 6, 1976

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

STATE OF CALIFORNIA,

COUNTY OF SAN BERNARDINO } ss.

ON July 6, 1976, before me, the undersigned, a Notary Public in and for said State, personally appeared Lloyd Yount, LeRoy Holmes, and James W. Dilworth, known to me, to be the persons whose names are subscribed to the within Instrument, and acknowledged to me that they executed the same.

OFFICIAL SEAL
BRENDA M. McCULLOUGH
NOTARY PUBLIC · CALIFORNIA
SAN BERNARDINO COUNTY
My Commission Expires July 11, 1977

WITNESS my hand and official seal.

Brenda M. McCullough
Notary Public in and for said State.

ACKNOWLEDGMENT—General—Wolcotts Form 233—Rev. 3-64

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

SAN BERNARDINO VALLEY
WATER CONSERVATION DISTRICT

By _____
President

_____
Secretary

Approved:

_____
Attorney

DATED June 7, 1976

STATE OF CALIFORNIA]
COUNTY OF SAN BERNARDINO] ss.

On June 7, 1976, before me, a Notary Public in and for said State, personally appeared ROBERT T. PAINE, known to me to be the President, and W. J. HILTGEN, known to me to be the Secretary, of SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT, the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the said corporation, and acknowledged to me that such corporation executed the same pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

_____
RICHARD A. MULLIGAN

RICHARD A. MULLIGAN
NOTARY PUBLIC
SAN BERNARDINO COUNTY
CALIFORNIA
My Commission Expires October 30, 1977

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

STATE OF CALIFORNIA
COUNTY OF SAN BERNARDINO } ss.

ON JUNE 7, 19 76, before me, the undersigned, a Notary Public in and for said State, personally appeared RICHARD A. MULLIGAN, known to me, to be the person whose name IS subscribed to the within Instrument, and acknowledged to me that he executed the same.

WITNESS my hand and official seal.

(OFFICIAL SEAL)
SHERRY L. TUCKER
NOTARY PUBLIC - CALIFORNIA
SAN BERNARDINO COUNTY
My Commission Expires Jan. 13, 1980

Sherry L. Tucker
Notary Public in and for said State.

ACKNOWLEDGMENT—General—Wolcotts Form 231—Rev. 3-64

IN WITNESS WHEREOF, the parties do execute this Agreement herein by act of their duly authorized representatives undersigned.

YUCAIPA VALLEY COUNTY
WATER DISTRICT

By _____
President

_____
Secretary

Approved:

_____
Attorney

DATED August 26, 1976

SANTA ANA RIVER – MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

MAY 3, 1976

STATE OF CALIFORNIA
COUNTY OF San Bernardino } SS.

On August 26, 1976, before me, the undersigned, a Notary Public in and for said State, personally appeared Gene Chesshire known to me to be the President, and Ira B. Price, known to me to be the Secretary of the ~~Corporation~~ water district that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the Corporation therein named, and acknowledged to me that such Corporation executed the same, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

* to be known as water district

(Seal)

OFFICIAL SEAL
JUNE I. HODGINS
NOTARY PUBLIC
PRINCIPAL OFFICE IN
SAN BERNARDINO COUNTY
My Commission Expires Sept. 23, 1977

June I. Hodgins
(Notary Public's Signature)

(Name - *Typed or Printed*)
Notary Public in and for said State

2307
MIS 3513 8-63* 25 Corporation Notarial Acknowledgment

1

18

EXHIBIT A

ENTITLEMENTS TO WATER

Santa Ana River

The general features for conveying Santa Ana River water are shown on Plate 2 herein.

Edison Company diverts water from the Santa Ana River at the confluence of Bear Creek and the Santa Ana River. This use of water is based on an agreement with Bear Valley and a license issued to the Edison Company by the Federal Power Commission.

Water so diverted is conveyed by the Edison Company through a series of tunnels, flumes, and canals through Santa Ana Powerhouse No. 1 and Santa Ana Powerhouse No. 2 to the forebay of Santa Ana Powerhouse No. 3.

At the forebay to Powerhouse No. 3 Bear Valley takes delivery of up to nine (9) cfs, which is conveyed through the Bear Valley High Line (capacity controlled by Crafton Heights Pipeline Company).

The remaining water in the Edison Company facility is dropped through Powerhouse No. 3. At the tailrace of Powerhouse No. 3 certain quantities of water are delivered into the facilities of North Fork and certain quantities are delivered into the Redlands Canal of Bear Valley.

There is an agreement between North Fork and Bear Valley which sets forth the entitlements to water of the respective parties. Said agreement is recorded in the official records of San Bernardino County, State of California, Agreement File E, pages 178 - 187, dated July 3, 1885.

There is an agreement between Bear Valley and Lugonia (South Fork). This agreement sets forth the entitlement to water of the respective parties.

It is the intention of this Cooperative Water Project Agreement that the Management Committee and/or Parties to this Agreement will not do anything which will in any way diminish or interfere with the quantities of water each of the Parties referred to in the two agreements above is entitled to receive as its respective proportionate share of the available supply.

The Conservation District diverts storm flows and waters in excess of the needs of the aforementioned companies at the mouth of Santa Ana Canyon for the purpose

of spreading and percolating to replenish the groundwater supply. The diversion by the Conservation District is covered by Licenses Nos. 2831 and 2832 issued by the State of California.

Redlands Water diverts water from a tunnel at the mouth of Santa Ana Canyon. Water is conveyed from the tunnel to the Redlands Aqueduct via a pipeline located on the west side of Greenspot Road.

Mill Creek

The general features of conveying Mill Creek water are shown on Plate 3 herein.

Edison Company diverts water from Mill Creek near Forest Home in Mill Creek Canyon. This use of water is based on agreements with certain water purveyors and a license issued to the Edison Company by the Federal Power Commission.

Water is conveyed through Edison Company facilities, including Mill Creek Powerhouses Nos. 3, 2, and 1.

After passing through Mill Creek Powerhouse No. 1, water is conveyed across Mill Creek to a point where it is divided; some going to Redlands, some to Crafton, and that portion above the needs of the two parties being returned to the channel of Mill Creek for spreading.

The amount of water each of the two Entities receives is based upon the ownership of "Zanja hours" per certain deeds and other factors as determined between Redlands and Crafton.

It is the intent of this Cooperative Water Project Agreement that the Management Committee and/or the Parties to this Agreement will not do anything which will in any way diminish or interfere with the quantities of water each of the Parties is entitled to receive as its respective proportionate share of the available supply.

The Conservation District has historically diverted stormflows and water in excess of the needs of Redlands and Crafton for the purpose of spreading and percolating to replenish the groundwater supply.

EXHIBIT B

ENTITLEMENT WATER

MAXIMUM INSTANTANEOUS RATES OF FLOW AND DELIVERY POINTS

(See Plates 2 and 3 attached hereto.)

Maximum Instantaneous Rates of Flow

Redlands
Crafton

32 cfs together.

Bear Valley
Lugonia
North Fork

88 cfs together.

Conservation District

The maximum instantaneous rate of flow that would be available if there was no Cooperative Water Project and all Parties were operating under Historical Conditions.

Delivery Points

Redlands - Mill Creek

Into the influent pipeline into Redlands' Henry Tate Filter Plant at a point within the Plant site located south of Mill Creek Road in the Northeast Quarter of Section 22, T. 1 S., R. 2 W., SBB&M.

Crafton - Mill Creek

Into the Zanja near the Boullioun Box and into the influent pipeline into the Redlands' Henry Tate Filter Plant.

Conservation District - Santa Ana and Mill Creek

a. Mill Creek - In the channel of Mill Creek above the existing intake structure located on the south bank of Mill Creek in the Northeast Quarter of Section 21, T. 1 S., R. 2 W., SBB&M.

EXHIBIT B
Continued

b. Santa Ana - The existing main canal of the Conservation District located on the south side of Greenspot Road in the Northeast Quarter of Section 7, T. 1 S., R. 2 W., SBB&M.

North Fork and Bear Valley - Santa Ana

At the existing North Fork Box located on the north side of the Conservation District main canal in the Southwest Quarter of the Southwest Quarter, Section 4, T. 1 S., R. 2 W., SBB&M, and up to 3 cfs at the East Highlands Company weir.

Bear Valley and Lugonia - Santa Ana

Into the Redlands Aqueduct above the Mentone Reservoir.

Redlands Water - Santa Ana

Into the Redlands Aqueduct above the Mentone Reservoir.

East San Bernardino - Santa Ana

Into the North Fork Canal at or above elevation 1720 feet.

DETERMINATION AND MEASUREMENT OF EXCHANGEABLE WATER

Santa Ana

The quantity of water in the Santa Ana River available for exchange shall be determined as follows:

The quantity of water measured at the USGS gage on the Edison Company canal located below the tailrace of Santa Ana Powerhouse No. 2.

The amount of Santa Ana River water available for exchange shall not exceed 88 cfs.

The quantity of water in the tunnel belonging to Redlands Water available for exchange shall be as measured at the tunnel outlet located on the west side of Greenspot Road at the mouth of Santa Ana Canyon.

Mill Creek

The quantity of water in Mill Creek available for exchange shall be determined as follows:

The quantity of water that would go through Edison Company's Mill Creek No. 1 hydro-plant if there were no upstream diversion.

The total amount of Mill Creek water available for exchange shall not exceed 32 cfs.

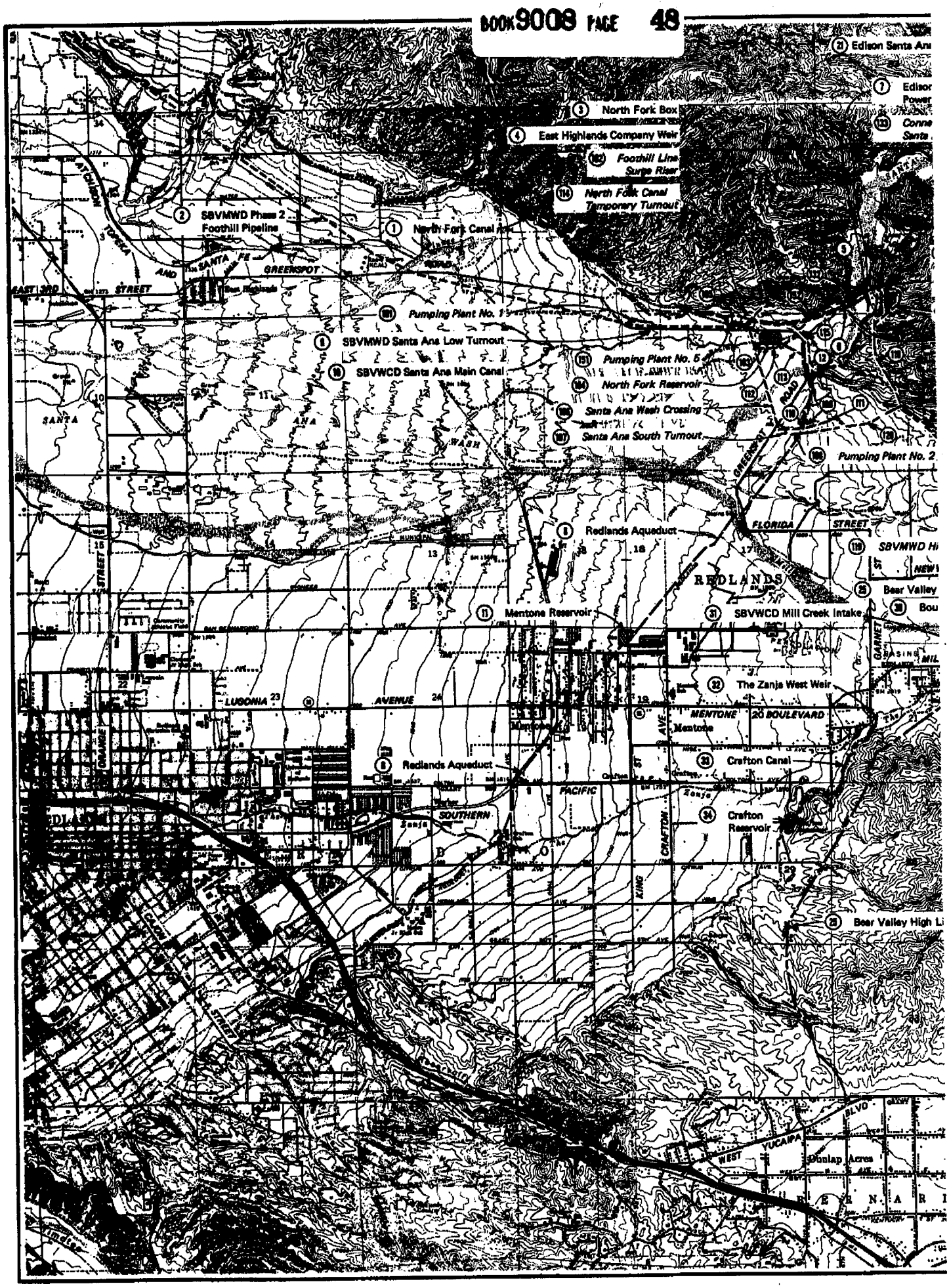
EXHIBIT D

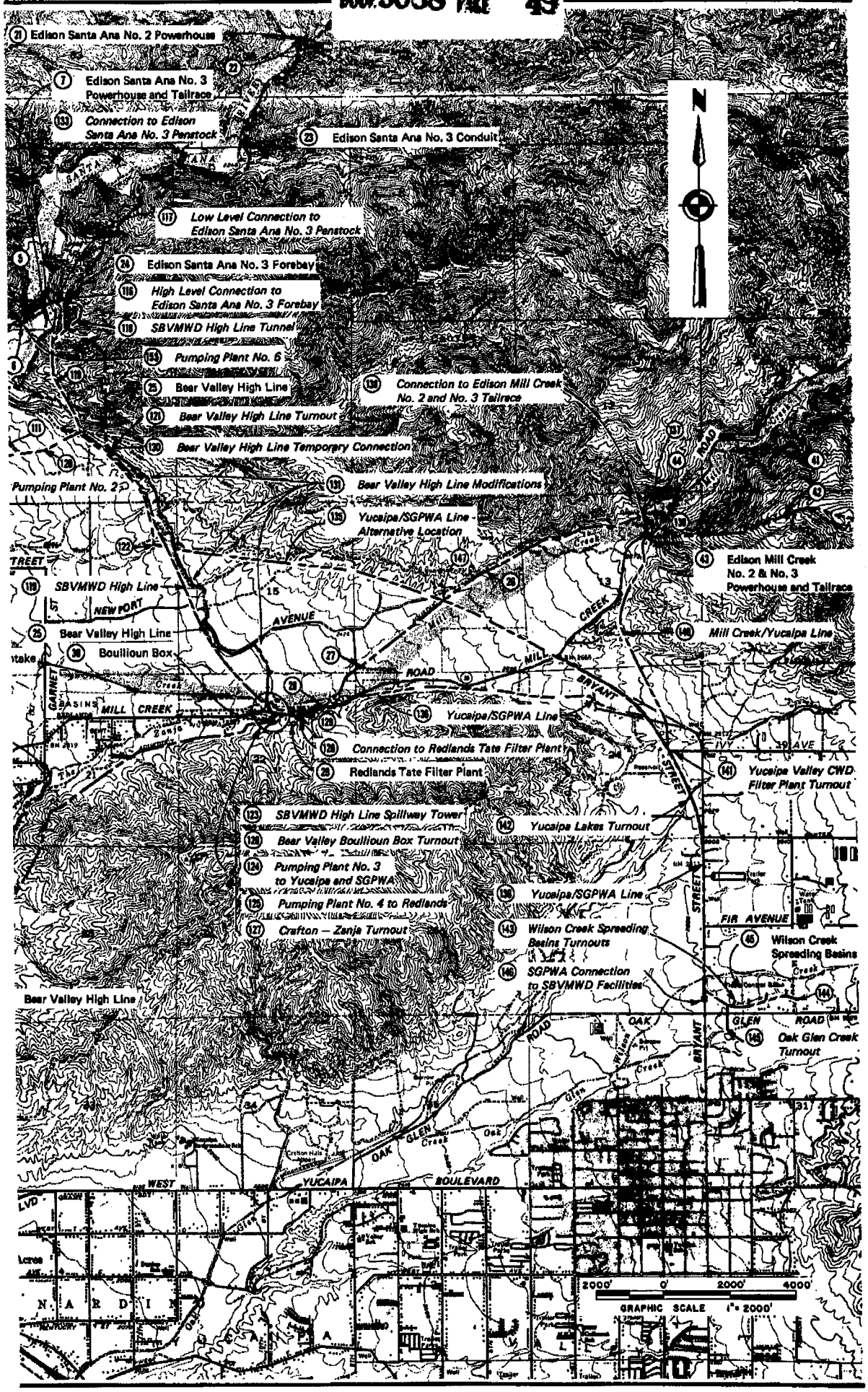
FACILITIES TO BE CONSTRUCTED AS THE FIRST INCREMENT OF THE COOPERATIVE WATER PROJECT

Description	Minimum Capacity in cfs	Key Number on Plate 1
North Fork Canal Temporary Turnout	30	114
Pumping Plant No. 5	12	151
Pumping Plant No. 5 Discharge Line	12	152
Foothill Pipeline to Redlands Aqueduct Turnout	30	115
SBVMWD High Line	25	119
Pumping Plant No. 4 to Redlands	20	125
Connection to Redlands Tate Filter Plant	32	128
Crafton - Zanja Turnout	10	127
Turnout to Mill Creek above Conservation District Spreading Intake	25	
Pumping Plants and Pipelines Connecting SBVMWD Phase 2 Foothill Pipeline to SBVMWD High Line	As Needed	See Note 1

Note 1

Precise location to be determined in final design.


21 Edison Santa Ana
7 Edison Power
123 Conne Santa
5 North Fork Box
4 East Highlands Company Weir
182 Foothill Line Surge Riser
114 North Fork Canal Temporary Turnout
2 SBVMWD Phase 2 Foothill Pipeline
1 North Fork Canal
ATCHISON TOPEKA AND SANTA FE
GREENSPOT ROAD
EAST 3RD STREET
East Highlands
181 Pumping Plant No. 1
8 SBVMWD Santa Ana Low Turnout
16 SBVWCD Santa Ana Main Canal
151 Pumping Plant No. 5
164 North Fork Reservoir
186 Santa Ana Wash Crossing
187 Santa Ana South Turnout
SANTA ANA WASH
GREENSPOT ROAD
106 Pumping Plant No. 2
1 Redlands Aqueduct
FLORIDA STREET
119 SBVMWD Hi
REDLANDS
25 Bear Valley
11 Mentone Reservoir
31 SBVWCD Mill Creek Intake
32 The Zanja West Weir
LUGONIA AVENUE
MENTONE BOULEVARD
Mentone
ORANGE STREET
8 Redlands Aqueduct
33 Crafton Canal
PACIFIC SOUTHERN
Zanja
34 Crafton Reservoir
CRAFTON AVE.
KING ST
26 Bear Valley High Li
YUCAIPA BLVD
WEST
Dunlap Acres
GARNET
BASINS


21 Edison Santa Ana No. 2 Powerhouse
7 Edison Santa Ana No. 3 Powerhouse and Tailrace
133 Connection to Edison Santa Ana No. 3 Penstock
23 Edison Santa Ana No. 3 Conduit
117 Low Level Connection to Edison Santa Ana No. 3 Penstock
24 Edison Santa Ana No. 3 Forebay
116 High Level Connection to Edison Santa Ana No. 3 Forebay
118 SBVMWD High Line Tunnel
134 Pumping Plant No. 6
25 Bear Valley High Line
121 Bear Valley High Line Turnout
120 Bear Valley High Line Temporary Connection
130 Connection to Edison Mill Creek No. 2 and No. 3 Tailrace
Pumping Plant No. 2
131 Bear Valley High Line Modifications
135 Yucaipa/SGPWA Line - Alternative Location
43 Edison Mill Creek No. 2 & No. 3 Powerhouse and Tailrace
119 SBVMWD High Line
25 Bear Valley High Line
30 Bouillioun Box
146 Mill Creek/Yucaipa Line
136 Yucaipa/SGPWA Line
128 Connection to Redlands Tate Filter Plant
28 Redlands Tate Filter Plant
141 Yucaipa Valley CWD Filter Plant Turnout
123 SBVMWD High Line Spillway Tower
142 Yucaipa Lakes Turnout
126 Bear Valley Bouillioun Box Turnout
124 Pumping Plant No. 3 to Yucaipa and SGPWA
136 Yucaipa/SGPWA Line
125 Pumping Plant No. 4 to Redlands
127 Crafton – Zanja Turnout
143 Wilson Creek Spreading Basins Turnouts
45 Wilson Creek Spreading Basins
146 SGPWA Connection to SBVMWD Facilities
Bear Valley High Line
148 Oak Glen Creek Turnout
N
2000' 0' 2000' 4000'
GRAPHIC SCALE 1" = 2000'

FACILITY LIST

EXISTING AND ASSOCIATED WATER FACILITIES

Key Number	Facility Description
1	North Fork Canal
2	SBVMWD Phase 2 Foothill Pipeline
3	North Fork Box
4	East Highlands Company Weir
5	SBVWCD Santa Ana Intake Headgate
6	SBVWCD Santa Ana Three Way Box
7	Edison Santa Ana No. 3 Powerhouse and Tailrace
8	Redlands Aqueduct
9	SBVMWD Santa Ana Low Turnout
10	SBVWCD Santa Ana Distribution Canal
11	Mentone Reservoir
12	Redlands Water Tunnel
21	Edison Santa Ana No. 2 Powerhouse
22	Bear Valley Santa Ana Canyon Well No. 2
23	Edison Santa Ana No. 3 Conduit
24	Edison Santa Ana No. 3 Forebay
25	Bear Valley High Line
26	Edison Mill Creek No. 2 Conduit
27	Edison Mill Creek No. 1 Powerhouse and Tailrace
28	The Zanja East Weir
29	Redlands Tate Filter Plant
30	Boullioun Box
31	SBVWCD Mill Creek Intake
32	The Zanja West Weir
33	Crafton Canal
34	Crafton Reservoir
41	Edison Mill Creek No. 2 Conduit
42	Edison Mill Creek No. 3 Conduit
43	Edison Mill Creek No. 2 & No. 3 Powerhouse and Tailrace
44	Edison Mill Creek No. 1 Stream Diversion Structures and Pipeline
45	Wilson Creek Spreading Basins

COOPERATIVE WATER PROJECT FACILITIES

Key Number	Facility Description
101	Pumping Plant No. 1
102	Foothill Line Surge Riser
103	North Fork Reservoir Inlet System
104	North Fork Reservoir
105	North Fork Reservoir Outlet System
106	Santa Ana Wash Crossing
107	Santa Ana South Turnout
108	Pumping Plant No. 2
109	Foothill Pipeline to Redlands Aqueduct Turnout
110	Redlands Aqueduct Turnout to Foothill Line
111	Pumping Plant No. 2 Surge Riser
112	SBVWCD Santa Ana Main Canal Relocation
113	Redlands Water Tunnel/North Fork Reservoir Line
114	North Fork Canal Temporary Turnout
115	Redlands Aqueduct Temporary Connection
151	Pumping Plant No. 5 to North Fork Box and Pumping Plant No. 6
152	Pumping Plant No. 5 Discharge Line
153	Pumping Plant No. 6 to SBVMWD High Line
116	High Level Connection to Edison Santa Ana No. 3 Forebay
117	Low Level Connection to Edison Santa Ana No. 3 Penstock
118	SBVMWD High Line Tunnel
119	SBVMWD High Line
120	Pumping Plant No. 2 Discharge Line
121	Bear Valley High Line Turnout
122	Pumping Plant No. 3 to Yucaipa and SGPWA - Alternative Location
123	SBVMWD High Line Spillway Tower
124	Pumping Plant No. 3 to Yucaipa and SGPWA
125	Pumping Plant No. 4 to Redlands
126	Bear Valley Boullioun Box Turnout
127	Crafton – Zanja Turnout
128	Connection to Redlands Tate Filter Plant
129	Upper Zanja Turnout
130	Bear Valley High Line Temporary Connection
131	Bear Valley High Line Modifications
132	Pumping Plant No. 6 Discharge Line
133	Connection to Edison Santa Ana No. 3 Penstock
135	Yucaipa/SGPWA Line - Alternative Location
136	Yucaipa/SGPWA Line
137	Connection to Pipeline from Edison Mill Creek No. 1 Stream Diversion
138	Connection to Edison Mill Creek No. 2 and No. 3 Tailrace
139	Upper Mill Creek/Yucaipa Line
140	Mill Creek/Yucaipa Line
141	Yucaipa Valley CWD Filter Plant Turnout
142	Yucaipa Lakes Turnout
143	Wilson Creek Spreading Basins Turnouts
144	Mill Creek/Yucaipa/SGPWA Line Surge Riser
145	Oak Glen Creek Turnout
146	SGPWA Connection to SBVMWD Facilities
147	Connection Yucaipa/SGPWA Line – Alternative Location/Edison Mill Creek No. 1 Conduit

GENERAL NOTES

1. *All facilities needed for the ultimate development of the Santa Ana and Mill Creek Cooperative Water Project are shown on this Plate.*
2. *Locations of facilities shown on this Plate are conceptual, schematic and functional only. Final locations may be modified from those shown as a result of detailed design.*
3. *Alternative locations are shown for certain facilities. Evaluation and selection of alternatives will be made later as a part of detailed design.*
4. *Facilities will be built in increments to serve the needs of the Parties.*

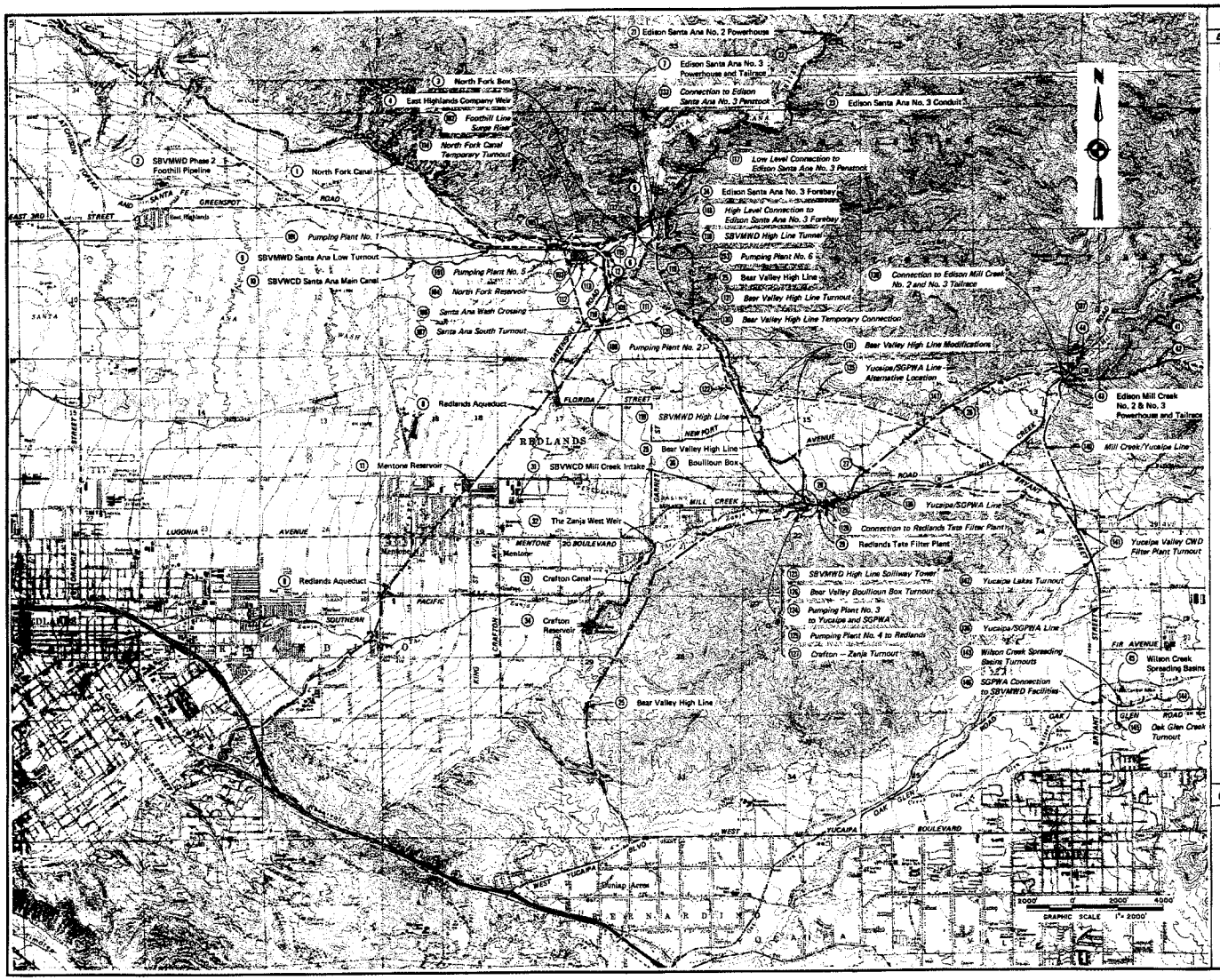
BECHTEL INCORPORATED
SAN FRANCISCO

SAN BERNARDINO VALLEY
MUNICIPAL WATER DISTRICT
WATER TRANSMISSION PROJECT

SANTA ANA RIVER AND MILL CREEK
COOPERATIVE WATER PROJECT AGREEMENT

CONCEPTUAL PLAN OF COOPERATIVE WATER PROJECT FACILITIES AND ASSOCIATED WATER FACILITIES

JOB NO.	DRAWING NO.	REV.
7843	PLATE 1	B



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7	Edison Santa Ana No. 3 Powerhouse and Tailrace
8	Redlands Aqueduct
9	SBVMWD Santa Ana Low Turnout
10	SBVWCD Santa Ana Distribution Canal
11	Mentone Reservoir
12	Redlands Water Tunnel
21	Edison Santa Ana No. 2 Powerhouse
22	Bear Valley Santa Ana Canyon Well No. 2
23	Edison Santa Ana No. 3 Conduit
24	Edison Santa Ana No. 3 Forebay
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26	Edison Mill Creek No. 2 Conduit
27	Edison Mill Creek No. 1 Powerhouse and Tailrace
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29	Redlands Tata Filter Plant
30	Boulilioun Box
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115	Redlands Aqueduct Temporary Connection
151	Pumping Plant No. 5 to North Fork Box and Pumping Plant No. 6
152	Pumping Plant No. 5 Discharge Line
153	Pumping Plant No. 6 to SBVMWD High Line
116	High Level Connection to Edison Santa Ana No. 3 Forebay
117	Low Level Connection to Edison Santa Ana No. 3 Penstock
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141	Yucaipa Valley CWD Filter Plant Turnout
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145	Oak Glen Creek Turnout
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147	Connection Yucaipa/SGPWA Line – Alternative Location/Edison Mill Creek No. 1 Conduit

GENERAL NOTES

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BECHTEL INCORPORATED
SAN FRANCISCO

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
WATER TRANSMISSION PROJECT

SANTA ANA RIVER AND MILL CREEK COOPERATIVE WATER PROJECT AGREEMENT

CONCEPTUAL PLAN OF COOPERATIVE WATER PROJECT FACILITIES AND ASSOCIATED WATER FACILITIES

JOB NO.	DRAWING NO.	REV.
7843	PLATE I	B

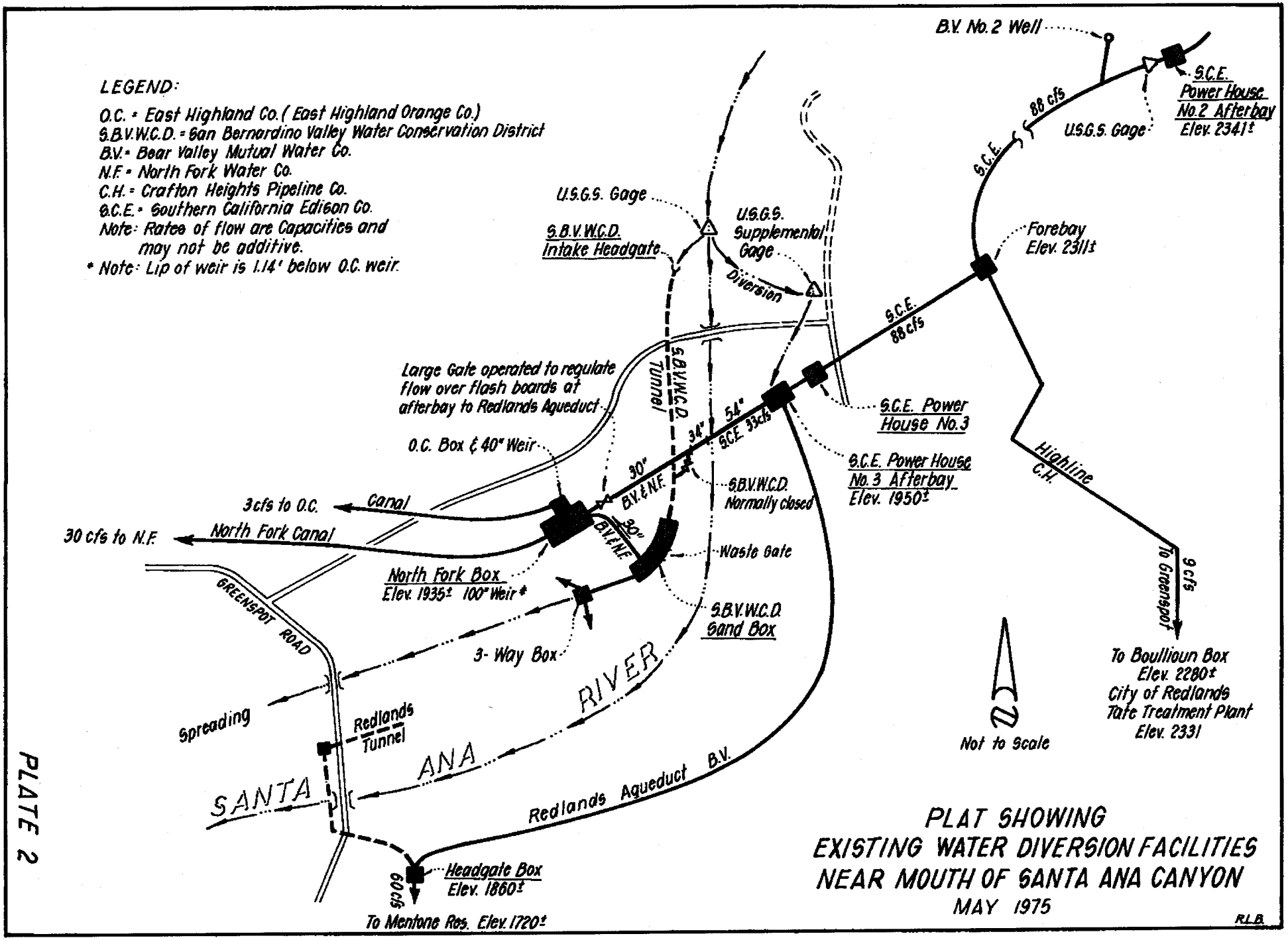
LEGEND:
O.C. = East Highland Co. (East Highland Orange Co.)
S.B.V.W.C.D. = San Bernardino Valley Water Conservation District
B.V. = Bear Valley Mutual Water Co.
N.F. = North Fork Water Co.
C.H. = Crafton Heights Pipeline Co.
S.C.E. = Southern California Edison Co.
Note: Rates of flow are Capacities and may not be additive.
* Note: Lip of weir is 1.14' below O.C. weir.
B.V. No. 2 Well
S.C.E. Power House No. 2 Afterbay Elev. 2341±
88 cfs
U.S.G.S. Gage
S.C.E.
U.S.G.S. Gage
S.B.V.W.C.D. Intake Headgate
U.S.G.S. Supplemental Gage
Diversion
Forebay Elev. 2311±
S.C.E. 88 cfs
Large Gate operated to regulate flow over flash boards at afterbay to Redlands Aqueduct
S.B.V.W.C.D. Tunnel
54"
34"
S.C.E. 33 cfs
S.C.E. Power House No. 3
O.C. Box & 40" Weir
30"
B.V. & N.F.
S.C.E. Power House No. 3 Afterbay Elev. 1950±
S.B.V.W.C.D. Normally closed
Highline C.H.
3 cfs to O.C.
Canal
30 cfs to N.F.
North Fork Canal
30"
B.V. & N.F.
Waste Gate
North Fork Box Elev. 1935± 100" Weir*
To Greenspot
9 cfs
S.B.V.W.C.D. Sand Box
GREENSPOT ROAD
3- Way Box
To Boulliou Box Elev. 2280± City of Redlands Tate Treatment Plant Elev. 2331
Spreading
Redlands Tunnel
RIVER
ANA
SANTA
Not to Scale
Redlands Aqueduct B.V.
Headgate Box Elev. 1860±
60 cfs
To Mentone Res. Elev. 1720±
PLAT SHOWING
EXISTING WATER DIVERSION FACILITIES
NEAR MOUTH OF SANTA ANA CANYON
MAY 1975
R.L.B.

PLATE 2

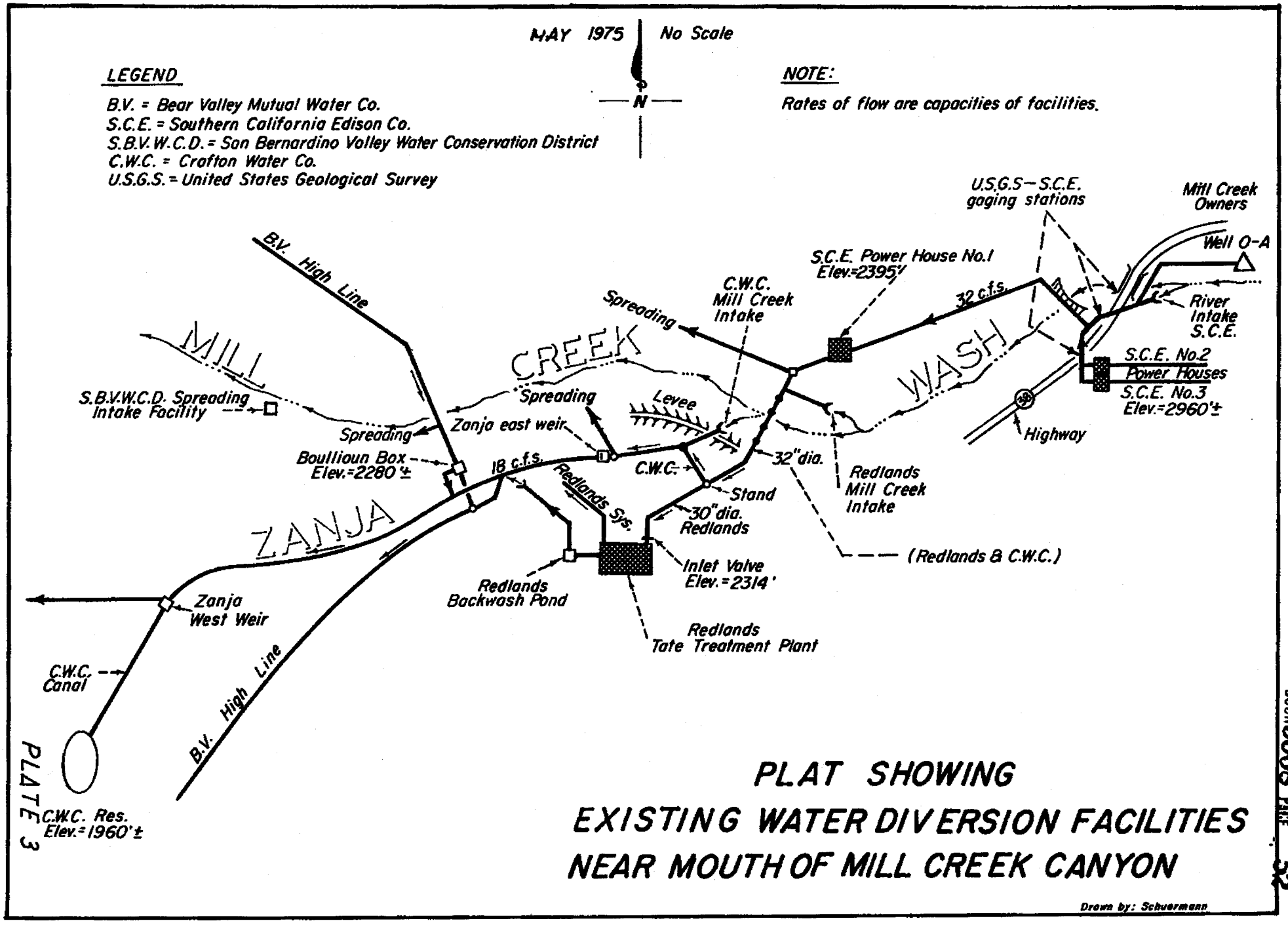

PLATE 3

PLAT SHOWING EXISTING WATER DIVERSION FACILITIES NEAR MOUTH OF MILL CREEK CANYON

Drawn by: Schuermann

SBV WATER CONSERVATION DISTRICT
OUR NAME IS OUR MISSION

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
Established 1932

1630 West Redlands Boulevard, Suite A
Redlands, CA 92373-8032
(909) 793-2503
Fax: (909) 793-0188

P.O. Box 1839
Redlands, CA 92373-0581
Email: info@sbvwcd.dst.ca.us
www.sbvwcd.dst.ca.us

October 12, 2006

Mr. Robert Reiter
General Manager and Chief Engineer
San Bernardino Valley Municipal Water District
P.O. Box 5906
San Bernardino, CA 92412-5906

Re: Refund of Funds on Deposit

Dear Mr. ~~Reiter~~, Bob

In early 2004 the San Bernardino Valley Water Conservation District (District) deposited $414,400 with your agency for purchase of State Project Water for replenishment purposes in the eastern end of the Bunker Hill Basin. During this time, we were in the fifth year of severe drought and the local producers were noting a significant drop in groundwater levels. The District had hoped to spread the purchased water in the east end in an effort to be a good steward of the Basin. However, the District never planned to donate the water, and when a plan for repayment of the water was formulated, the local producers protested. The District altered its plans for replenishment. East Valley Water District purchased 871 acre-feet and reimbursed us for that purchase. The District also used an additional 70 acre-feet.

Since that time no water has been purchased and the District has no plans at this time for supplemental replenishment. We are requesting a refund of the balance from our original deposit. In accordance with your accounting records and the District's, we accept your calculated balance in the amount of $302, 867.20. We would appreciate your favorable consideration of this request.

Sincerely,

Lawrence M. Libeu
General Manager

cc: Randy Van Gelder

BOARD OF DIRECTORS
Richard W. Corneille
Clare Henry Day
Arnold L. Wright
Glenda Douglas
Cheryl A. Tubbs
Melody Henriques-McDonald
Manuel Aranda, Jr.
GENERAL MANAGER
Lawrence M. Libeu

Original Filed

FEB 7 1977

V. Dennis Wardle
County Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN BERNARDINO

BIG BEAR MUNICIPAL WATER DISTRICT, Plaintiff v. NORTH FORK WATER COMPANY et al., Defendants	No. 165493 JUDGMENT

This action having been pending on appeal from a prior judgment of this Court, and the parties having stipulated to a form of judgment disposing of the issues raised by the complaint, and the Court of Appeal, pursuant to stipulation, having remanded the case for proceedings in accordance with said Stipulation for Judgment, and good cause appearing

IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

I. DEFINITIONS AND EXHIBITS

1. Definitions. As used in this judgment, the following terms shall have the meanings herein set forth:

(a) Basin Make-up Water. Water provided by District to

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replace water lost to San Bernardino Basin by reason of operations under terms of the physical solution herein.

(b) Bear Creek. That certain tributary of the Santa Ana River rising in Upper Bear Creek Watershed and flowing past the Dam and down to the confluence of said creek and river, all as shown on Exhibit "A".

(c) Confluence. The point at which Bear Creek joins the Santa Ana River, as shown on Exhibit "A".

(d) Conservation District. San Bernardino Valley Water Conservation District.

(e) Dam. The multiple-arch concrete dam constructed in 1911 at the location shown on Exhibit "A".

(f) District. Big Bear Municipal Water District.

(g) Division Box. The structure at the discharge from Power Plant No. 3, where Mutual divides the flow from the Edison Conduit between the North Fork and Redlands Canals.

(h) Edison. Southern California Edison Company.

(i) Edison Diversion. The works and facilities of Edison at the Confluence used to divert water into the Edison Conduit.

(j) Edison Conduit. The canal, pipeline and tunnels extending from the Edison Diversion, through Power Plants Nos. 1, 2 and 3 to the High Line and Division Box.

(k) Fiscal Year. July 1 to June 30, following.

(l) In Lieu Water. Water which is to be provided pursuant to the Physical Solution to Mutual by District, without cost to Mutual, in lieu of releases of Lake water.

(m) Lake. Big Bear Lake, being the body of water

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impounded by the Dam.

(n) Lake Storage Right. The right of Mutual to use the full storage capacity of the Lake for storage of water diverted at the Dam, pursuant to Mutual's appropriative right, which storage right was expressly reserved by Mutual in its conveyance of the Lake Properties to Bear Valley Mutual Water Company Partial Liquidation Trust.

(o) Mill Creek Exchange. The Santa Ana River-Mill Creek Cooperative Water Project Agreement, dated May 3, 1976, as amended from time to time.

(p) Mouth of the Canyon. The location at which the Santa Ana River passes from its mountain canyon onto the alluvial valley overlying San Bernardino Basin, as shown on Exhibits "A" and "C".

(q) Mutual. Bear Valley Mutual Water Company.

(r) Mutual's Lake Water Operations. The calculated, hypothetical account of operation of the lake under conditions of In Lieu Water deliveries pursuant to the physical solution herein, which account shall be maintained by Watermaster in accordance with Watermaster Criteria.

(s) North Fork Agreement. That certain agreement dated May 23, 1885, between Bear Valley Land and Water Company and North Fork Water Company, attached as Exhibit "E".

(t) Prior Right Agreements. Collectively, the North Fork Agreement and the Sunnyside Agreement, Exhibits "E" and "F".

(u) Prior Right Companies. Collectively, North Fork Water Company, Lugonia Water Company and Redlands Water

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Company.

(v) San Bernardino Basin. The ground water basin underlying the San Bernardino Valley above the Bunker Hill Fault and downstream from the Mouth of the Canyon.

(w) Sunnyside Agreement. That certain agreement dated February 27, 1886, between The Shareholders in South Fork Ditch of the Santa Ana River, Sunnyside Division, and Bear Valley Land and Water Company, attached as Exhibit "F".

(x) Upper Bear Creek Watershed. The surface drainage area tributary to the Dam and drained by Bear Creek and its tributaries, as shown on Exhibit "A".

(y) Upper Santa Ana River Watershed. The surface drainage area tributary to the Edison Diversion on the Santa Ana River, as shown on Exhibit "A".

(z) Watermaster Criteria. The detailed engineering criteria, set forth in Exhibit "D".

Geographical Names, not otherwise defined herein, are used with reference to their appearance on Exhibits "A", "B" and "C".

2. Exhibits. The following exhibits are attached to this Judgment and by this reference are made a part hereof:

"A" -- General Location Map.

"B" -- Hydrologic Map of Upper Bear Creek Watershed.

"C" -- Map showing diversion facilities and relevant system of Mutual.

"D" -- Watermaster Operating Criteria.

"E" -- North Fork Agreement.

"F" -- Sunnyside Agreement.

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II. DECLARATIONS

A. HYDROLOGY

3. Upper Bear Creek Watershed is commonly known as Bear Valley. Its surrounding mountains rise to elevations of 8500 feet, and the watershed extends down to the Dam at elevation 6743 feet. Said watershed is drained by Bear Creek and its tributaries. Immediately easterly of Upper Bear Creek Watershed is the watershed of Baldwin Lake. The dominant geographic feature in Upper Bear Creek Watershed is the Lake, which has existed continuously since 1883. Surrounding the Lake are several mountain communities, the largest of which is Big Bear Village, situate on the southerly border of the Lake. Easterly of Big Bear Village and within Baldwin Lake Watershed is Big Bear City. Domestic water service in Upper Bear Creek Watershed is provided by Southern California Water Company, a public utility, Big Bear City Community Services District, and through individual domestic wells. All of the privately-held lands in Upper Bear Creek Watershed lie within the boundaries of District.

4. Early Santa Ana River Diversions. The earliest appropriations of water from the Santa Ana River commence in 1856 from the Santa Ana River as it traversed San Bernardino Basin. Two successor diversions developed by progressive moving of canal and diversion facilities upstream to the Mouth of the Canyon, from which the North Fork Canal distributed water northwesterly into San Bernardino Basin and the Sunnyside Ditch distributed water southwesterly to the vicinity of Redlands. Above these canals there subsequently developed ancillary facilities to serve higher ground through the Edwards Canal and High Line, respectively. The

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North Fork and Sunnyside diversions had established and claimed rights to substantially the entire surface flow of the Santa Ana River at the Mouth of the Canyon by 1883, when the predecessors of Mutual undertook to build the original dam at the Lake. In order to preserve the prior appropriative rights of the North Fork and Sunnyside diversions, Mutual's predecessors entered into the Prior Right Agreements, which agreements are still in effect.

5. Mutual's Diversion Practices. Mutual has multiple sources of supply, but its major, historic source is and has been stream flow from the Santa Ana River at the Edison Diversion, the supplementing of flows between the Edison Diversion and Mouth of the Canyon, and releases by Edison onto the High Line and to the Division Box. From the end of the Edison Conduit delivery is made through the Edwards and North Fork Canals and the Redlands Canal and High Line to satisfy the rights of Prior Right Companies and to meet the needs of Mutual's irrigation shareholders. The diversion facilities utilized by Mutual are shown on Exhibit "C".

6. District's Water Supply. District and its inhabitants rely entirely upon the precipitation and runoff within Upper Bear Creek Watershed for their water supplies for direct use and for recharge of the several small ground water basins in said watershed. District does not have physical, or economically-feasible, access to significant supplies of supplemental nontributary sources of water. Although some inhabitants of District have riparian, overlying and appropriative rights to waters of Upper Bear Creek Watershed, neither District nor its inhabitants have any rights to water in storage in the Lake, or the right to store water in the Lake except to the extent that there is surplus

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storage capacity in the Lake not utilized by Mutual.

B. DECLARATION OF RIGHTS

7. Mutual. Mutual is the owner of an appropriative right, with the priorities of 1883 and 1909, to divert at the Dam and store in the Lake for subsequent release and beneficial use within Mutual's service area of all of the flow of Bear Creek at the Dam and Lake. Said diversion shall be at such rate as may be reasonably necessary to meet the requirements of Mutual's stockholders, not exceeding 65,000 acre feet in any ten (10) year period, as determined by the Board of Directors of Mutual in its sole discretion. Said rights have become prescriptive in nature as to all water right claimants downstream from the Dam, excepting only the rights of Prior Right Companies.

8. Prior Right Companies. Prior Right Companies, as the successors to the earliest diversion rights at the Mouth of the Canyon, are the owners of the prior appropriative rights confirmed by the Prior Right Agreements, which contractual rights constitute a burden and charge upon the said appropriative right of Mutual. The exact nature, scope and extent of the rights of prior right companies are set forth in said Prior Right Agreements (Exhibits "E" and "F"), and said agreements are hereby confirmed and shall remain otherwise unimpaired by the declarations and determination of this Judgment.

9. Conservation District. Conservation District owns an appropriative right to divert and spread storm flows of the Santa Ana River at and below the Mouth of the Canyon, for the benefit of water right claimants within Conservation District. Said rights are derived from and based upon

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License No. 2831, Permit No. 2488 (8300 acre feet) and License No. 2832, Permit No. 2593 (2100 acre feet), issued by the Division of Water Rights of the California Water Resources Control Board, and from a prior statutory filing by Conservation District's predecessors dated October 6, 1911.

10. San Bernardino Basin Producers within the boundaries of Conservation District have rights in and to the safe yield of said San Bernardino Basin. Said safe yield is dependent, in part, on the flow of the river at the Mouth of the Canyon and return flows from applied water delivered by Mutual to its stockholders for use overlying the Basin. Both of said sources have historically included, from time to time, waters released from Upper Bear Creek Watershed through or over the Dam.

11. District. District owns the Dam and reservoir behind it, subject to the right of Mutual to store water in the Lake, pursuant to its appropriative right. To the extent that, at any time, there is surplus storage capacity in the reservoir not utilized by Mutual, District has the right to store water therein, including water acquired by reason of operation of the physical solution herein decreed or from any source or sources other than the surface flow of Bear Creek and its tributaries, or from non-tributary streams provided such non-tributary water has been diverted into the Lake by Mutual.

III. INJUNCTIONS

12. Against District. District, its officers, agents and employees are hereby ENJOINED AND RESTRAINED from interfering with

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the release of water from the Lake to meet the requirements of Mutual, except in compliance with the physical solution hereinafter decreed.

IV. CONTINUING JURISDICTION

13. Continuing Jurisdiction. Full jurisdiction, power and authority are retained and reserved to the Court for the purpose of enabling the Court, upon application of any party by motion and upon 30 days' notice hereof, and after hearing thereon, to make such further and supplemental orders or directions as may be necessary or appropriate for interpretation, enforcement or carrying out this Judgment. The Court may award attorneys' fees to the prevailing party in any further proceedings, pursuant to this paragraph.

V. WATERMASTER

A. APPOINTMENT AND COMPOSITION

14. Watermaster Committee. The Court will appoint a Watermaster Committee, by subsequent order, in accordance with the following procedure:

(a) Nominations. On or before sixty (60) days after entry of judgment herein, nominations shall be submitted by a separate pleading filed herein. For said purpose, one nominee each shall be submitted by District, Mutual and Conservation District.

(b) Appointment. The three nominees, if acceptable to the Court, will thereupon be appointed by such subsequent order.

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(c) Term. Watermaster representatives shall serve for terms of five (5) years, unless sooner removed by the Court on its own motion or at the request of the party nominating any such Watermaster representative.

(d) Watermaster Action. Said Watermaster members, acting as a committee, shall be and constitute the Watermaster, for purposes of administering the provisions of this Judgment and subsequent orders of the Court. Action of a majority of Watermaster members shall constitute action of Watermaster.

B. POWERS AND DUTIES

15. Powers and Duties. Subject to the continuing supervision and control of the Court, Watermaster shall have and may exercise the express powers, and shall perform the duties, as provided in this Judgment or hereafter ordered or authorized by the Court in the exercise of the Court's continuing jurisdiction.

16. Rules and Regulations. Watermaster shall make and adopt appropriate rules and regulations for conduct of Watermaster affairs, including meeting schedules and procedures. Said rules and regulations shall be submitted to and approved by the Court. Thereafter, Watermaster may amend said rules from time to time, upon notice to all parties and with the approval of the Court. A copy of said rules and regulations, and of any amendments thereof, shall be mailed to each party.

17. Studies. Watermaster shall undertake such studies and investigations and collect and maintain such hydrologic and other data and records as are necessary to implement the Physical Solution herein.

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18. Accounting. Watermaster shall make calculations and maintain accounts to reflect both actual operation of Big Bear Lake and Mutual's Lake Water Operations. Said accounts shall be maintained in accordance with Watermaster Criteria.

19. Watermaster Expenses. Each party shall pay the costs and expenses of the representative of such party on Watermaster. The obligation for and cost of making measurements and accumulating basic data shall be assumed and paid as follows:

(a) At and upstream from Dam -- District.

(b) Downstream from Dam -- Mutual and Conservation District, in shares to be agreed upon from time to time.

New or additional measurements, relevant hydrologic studies or other activities of Watermaster involving significant cost shall be paid pursuant to unanimous agreement entered into before such costs are incurred. In the absence of agreement, the Court will, by subsequent order, allocate any necessary common Watermaster expenses.

20. Reports. Watermaster shall prepare, serve on all parties and file with the Court an annual report on or before April 1 of each year, which shall set forth the accounting for water under the Physical Solution, and a report on all significant Watermaster activity during the preceding calendar year.

21. Review Procedures. All actions, decisions or rules of Watermaster shall be subject to review by the Court on its own motion or on timely motion by any party or Watermaster member, as follows:

(a) Effective Date of Watermaster Action. Any action,

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decision or rule of Watermaster shall be deemed to have occurred or been enacted on the date on which written notice thereof is mailed. Mailing of copies of approved Watermaster minutes to the parties shall constitute such notice to all parties.

(b) Noticed Motion. Any party or Watermaster member may, by a regularly noticed motion, apply to the Court for review of any Watermaster's action, decision or rule. Notice of such motion shall be mailed to Watermaster and to all parties. Unless otherwise ordered by the Court, such motion shall not operate to stay the effect of such Watermaster action, decision or rule.

(c) Time for Motion. Notice of motion to review any Watermaster action, decision or rule shall be served and filed within ninety (90) days after such Watermaster action, decision or rule.

(d) De Novo Nature of Proceedings. Upon the filing of any such motion, the Court shall require the moving party to notify the parties and Watermaster of a date for taking evidence and argument. On the date so designated, the Court will review de novo the question at issue. Watermaster's findings or decision, if any, may be received in evidence at said hearing, but shall not constitute presumptive or prima facie proof of any fact in issue.

(e) Decision. The decision of the Court in such proceeding shall be an appealable supplemental order in this case. When the same is final, it shall be binding upon the Watermaster and all parties.

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VI. PHYSICAL SOLUTION

23. Need For Physical Solution. There exists a need for additional water for recreational and wildlife enhancement purposes within District. There is not an economically feasible source of supplemental water available to meet the needs of District and its inhabitants for such purposes. Any such use by District of the waters in storage in the Lake will be junior to the declared rights of Mutual and other defendants herein. Supplemental sources of water may, from time to time, be available within defendants' areas of use (other than Edison), but are more expensive than waters which might be diverted from storage in the Lake. In order to assure the maximum beneficial use of waters of the State, in accordance with the mandate Article X Section 2 of the Constitution, it is appropriate that the Court adopt a physical solution herein.

24. General Plan of Operation. In general terms, the physical solution hereafter decreed will provide for retention of waters of Bear Creek in the Lake by reason of delivery of In Lieu Water to Mutual's system. The costs of In Lieu Water and Basin Make-up Water shall be borne solely by District as consideration for the right to retain an equivalent quantity of stored water in the Lake for District's account.

25. District's Right to Provide In Lieu Water. District shall have the right to provide In Lieu Water to Mutual, at District's sole expense, to be delivered into Mutual's system at locations designated by Mutual, as a condition of retaining in the

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Lake water which would otherwise be required by Mutual for its use. Such In Lieu Water may be provided from any one or more of the following sources, or any other source usable for Mutual's purposes, and of comparable quality to waters released or subject to release from the Lake:

(a) Wells in San Bernardino Basin owned by Mutual.

(b) Third party wells or other sources, which are available under contract, lease or other arrangements with Mutual.

(c) Exchange water under the Mill Creek Exchange.

(d) State Project Water.

Provided, that Watermaster shall determine whether production of ground water pursuant to subparagraphs (a) or (b) hereof will hav an unreasonable and adverse effect on water levels in any adjacen wells. In the event of such finding, Watermaster may prohibit us of such well or wells for production of In Lieu Water until Watermaster determines that such adverse effect is eliminated.

Provided, moreover:

(e) High Line Obligation. Because of the requirements by Mutual for delivery of water through its High Line and to the Edwards Canal, it is necessary that a minimum of 12 cfs be diverted into the Edison Conduit from all sources, including Santa Ana River and Bear Creek water at the Edison Diversion, canyon wells and surface inflow between the Ediso Diversion and the Mouth of the Canyon. To the extent that said supplies fall below 12 cfs at the forebay of Edison Power House No. 3, being the start of the High Line, Distric shall release water to make up any deficiency therein from

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water in storage in the Lake. Said High Line obligation shall supersede District's In Lieu Water right unless and until In Lieu Water can be provided by District to meet said High Line requirements from other sources.

(f) Dry Year Releases. In the event, by reason of natural disaster or extreme drought, or otherwise, Mutual is unable to meet its obligation under the Prior Right Agreements to Prior Right Companies, and there exists water in storage in the Lake which is not otherwise available to Mutual, District shall make such releases as are necessary t enable Mutual to meet said Prior Right obligations. In such event, District shall acquire a right to replacement of suc quantities in the Lake for its account from the next natural inflow to the Lake, which would otherwise be credited to Mutual.

26. Basin Make-up Water. District's lake stabilization operations by exercise of its in lieu right may have some adverse impact on the supplies of water to the San Bernardino Basin.

27. Procedures for In Lieu Water. In the operation of District's In Lieu right, the following procedures shall be followed:

(a) District's Election to Provide In Lieu Water. District shall, on or before April 15 of each year, notify Mutual of District's intent to provide In Lieu Water during the following fiscal year, and shall designate the maximum amount it is prepared to so provide. District may, during any year, on ninety (90) day written notice, amend or modify the amount of In Lieu Water so specified.

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(b) Mutual's Order. At such time as Mutual's board, in its sole discretion, may determine that it requires the release of water from the Lake for the use of Mutual and the Prior Right Companies, Mutual shall notify District and, to the extent that District has indicated an intent to provide In Lieu Water, Mutual shall reasonably cooperate with, and give assistance to District in obtaining water from In Lieu Water sources. Any Lake water required by Mutual and not supplied by In Lieu Water shall be provided by District by Lake releases on at least 12 hours' notice by Mutual.

(c) Costs. Costs of In Lieu Water obtained by Mutual on behalf of District shall include all actual operating, maintenance and administrative costs attributable, in good accounting practice, to the acquisition of such In Lieu Water. Said costs shall also include pump tax applicable to such water, if any. In the event any well, pump, motor, booster pump or pipeline of Mutual used for production or delivery of In Lieu Water is required to be replaced at a time when such facility is being used for the production or delivery of In Lieu Water, District shall advance the cost of replacing such item; provided, however, that at the end of ten years after the completion of such replacement Mutual will reimburse District that percentage of the cost of such replacement which the number of hours said facility has been used by Mutual for its account during such ten-year period bears to the total number of hours such facility has been used during the ten-year period, plus interest on such amount at the rate of six percent (6%) per annum. In the event any

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such facility is being used by Mutual for its own account at the time of such replacement, Mutual shall pay such replacement cost and shall be reimbursed by District in the same manner as provided above. All such replacement facilities shall be and remain the property of Mutual.

(d) Payment. Any costs incurred by Mutual with relation to In Lieu Water deliveries shall be paid by District within thirty (30) days of receipt of approved billing therefor. All bills for such In Lieu Water shall be submitted to and approved by Watermaster, provided, however, that Watermaster may, if it deems it to be appropriate, require District to maintain on deposit reasonable sums to insure advance payment of current costs in order to relieve Mutual of any financial burden in connection with said In Lieu Water.

28. Procedure for Basin Make-up Water. Watermaster shall annually calculate the net amount of these various adjustments. District shall be obligated to periodically balance any resulting net deficiencies in recharge to the San Bernardino Basin as Watermaster shall determine. Balancing of any deficiency in said account shall occur at least once in each ten (10) year period, the time of delivery within said period to be at the option of District; provided, that in no event shall such negative impact be allowed to exceed 15,000 acre feet; provided, further, that if the net deficiency exceeds 10,000 acre feet, District shall reduce the net deficiency to at least 10,000 acre feet within the succeeding two (2) years; provided, however, that District shall, at the election of Conservation District on or before January 1, 1981,

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reimburse Conservation District for the cost of up to 10,000 acre feet of replenishment water, at not to exceed the Mill Creek Exchange price to members. Such payment shall result in an equivalent credit to District's account for Basin Make-up Water. To the extent practical, recharge will be directed to the sub-basins of San Bernardino Basin proportionally to the pattern of extraction of In Lieu Water hereunder.

29. Accounting. Watermaster shall maintain three basic accounts, in accordance with Watermaster Operating Criteria, as follows:

(a) District's Lake Water Operation. A detailed account to reflect actual operation of the Lake by District shall be maintained.

(b) Mutual's Lake Water Operations. In addition, a corollary account shall be maintained to simulate the effect of Mutual's operations with regard to Lake water under the In Lieu Water operations.

(c) Basin Make-up Account. An account of District's annual and cumulative obligation for Basin Make-up Water shall also be maintained.

30. District's Obligation to Maintain Dam. Pursuant to District's stipulation and agreement, District shall perpetually maintain and protect the Dam and Lake to preserve and maintain the existing usable storage capacity of the Lake and shall comply with all dam safety regulations of the State of California or other appropriate public authority. No excavation or filling of the Lake or any part thereof shall be done within 500 feet of the Dam, except as necessary for repair, maintenance or replacement of the

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Dam.

31. District to Hold Mutual Harmless. District shall hold Mutual free and harmless from any and all liability, cost or expense (including attorney's fees) arising from District's operation of the Lake pursuant to the Lake Surface Rights, and shall cause Mutual to be named as an additional insured on any public liability insurance policies which District may obtain covering its operation of the Lake.

32. Physical Solution Agreement. That certain "Physical Solution Agreement" heretofore entered into between District, Mutual and Conservation District on December 23, 1976, is superseded by this Judgment.

33. Costs. No party shall recover any costs in this proceeding from any other party.

DATED: FEBRUARY 4, 1977.

JOSEPH B. CAMPBELL
Judge

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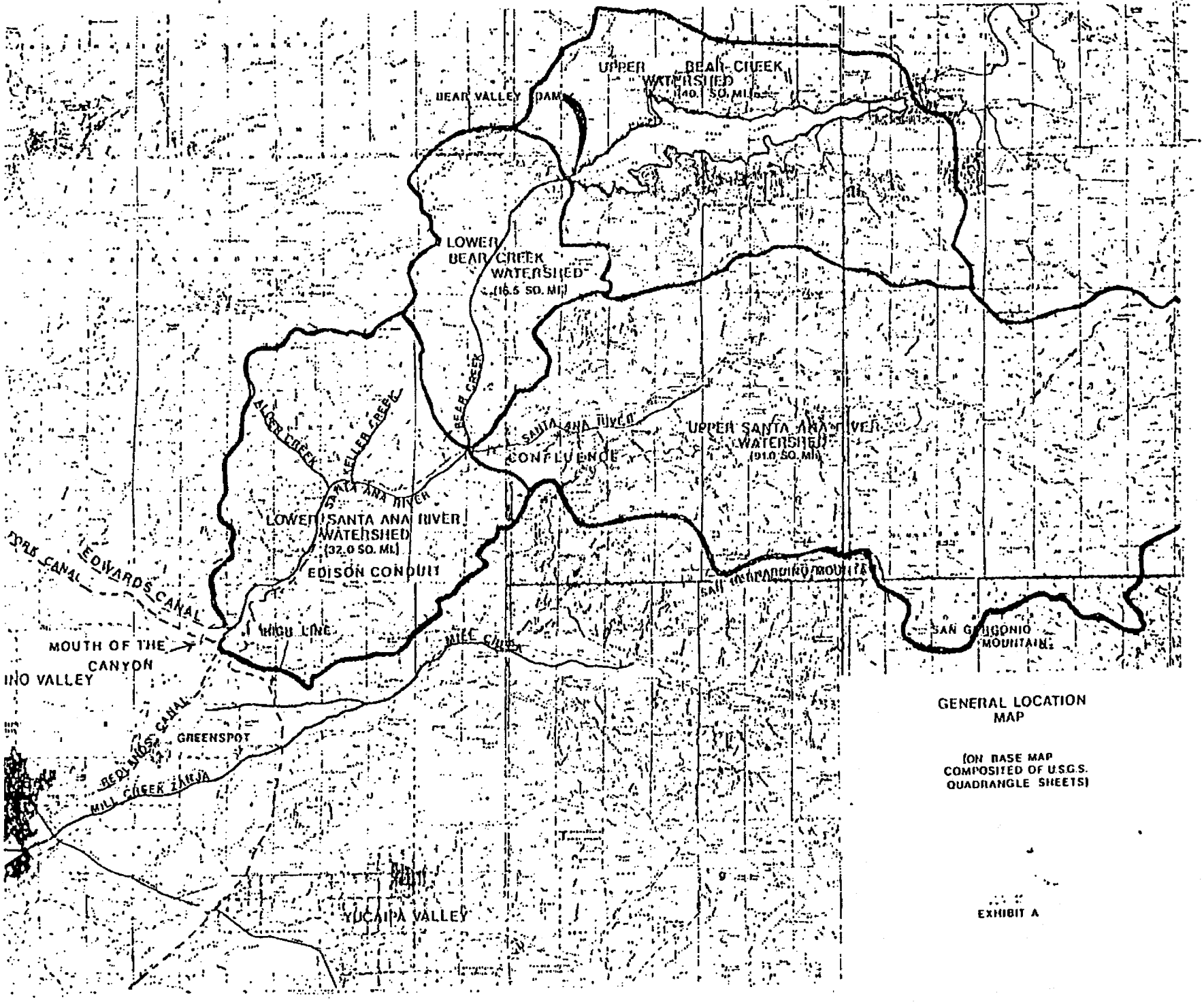
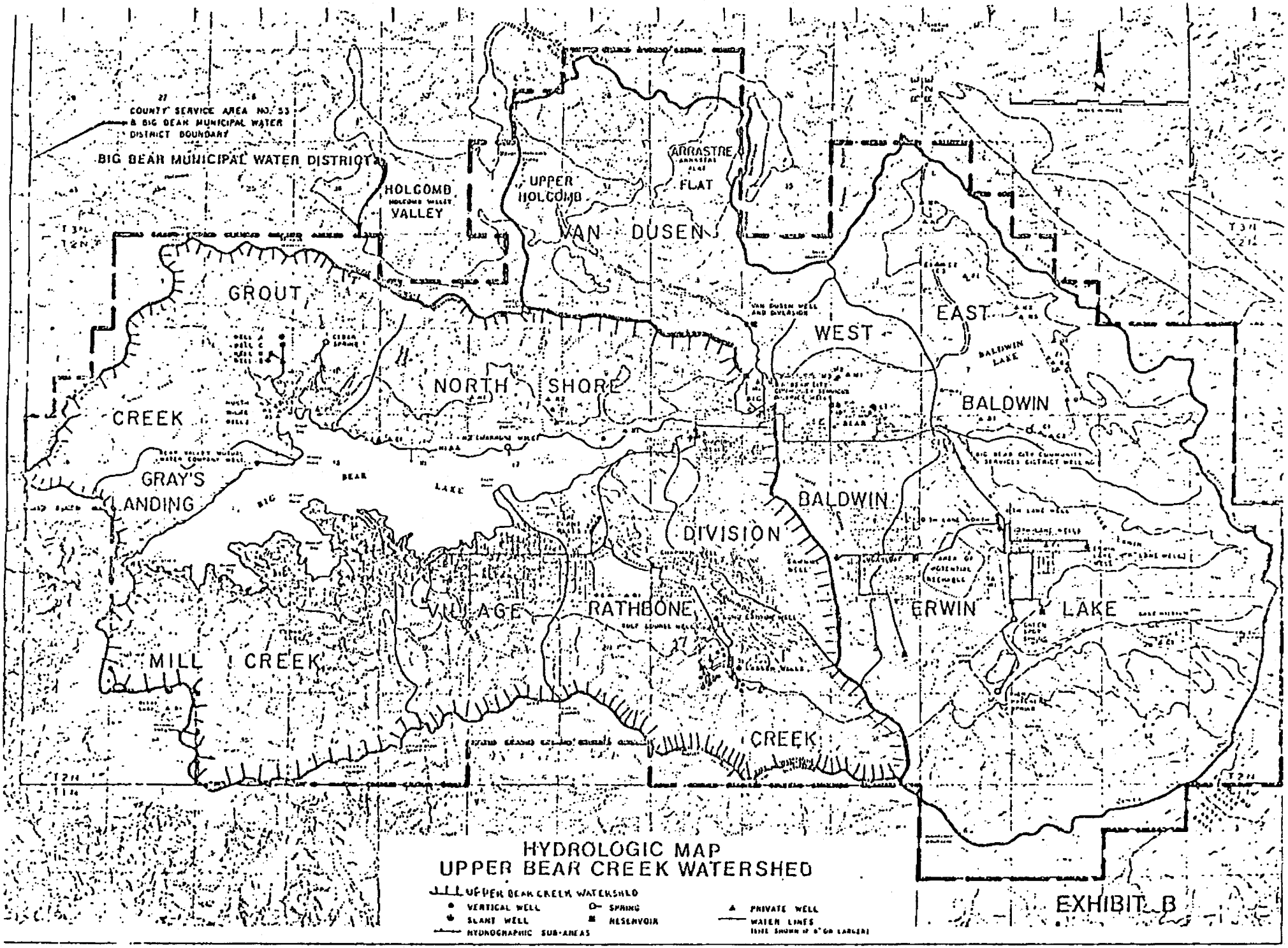


GENERAL LOCATION MAP

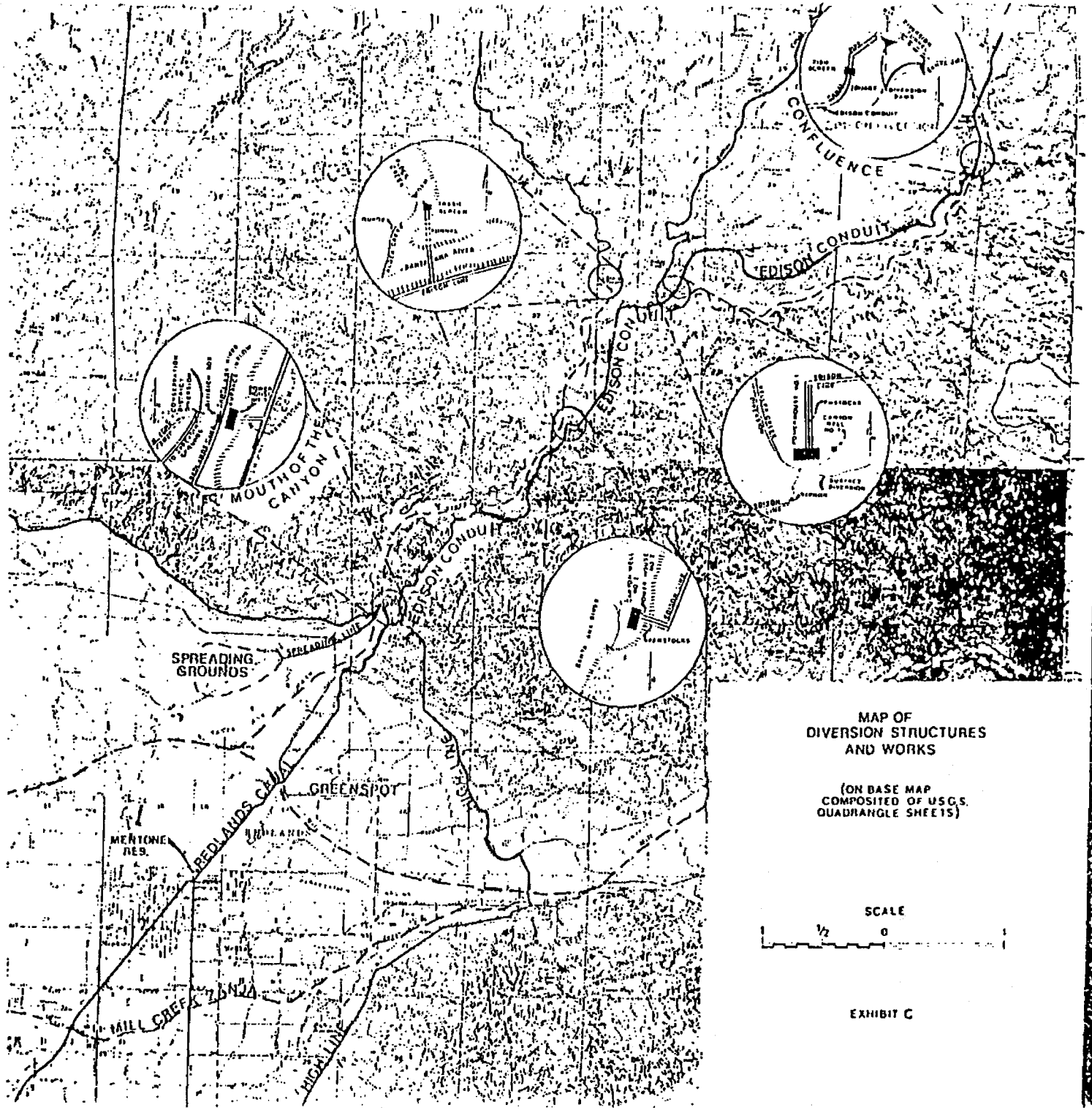
(ON BASE MAP COMPOSITED OF U.S.G.S. QUADRANGLE SHEETS)

EXHIBIT A



HYDROLOGIC MAP
UPPER BEAR CREEK WATERSHED

UPPER BEAR CREEK WATERSHED
VERTICAL WELL
SLANT WELL
HYDROGRAPHIC SUB-AREAS
SPRING
RESERVOIR
PRIVATE WELL
WATER LINES
(LINES SHOWN IF 6" OR LARGER)



MAP OF
DIVERSION STRUCTURES
AND WORKS

(ON BASE MAP
COMPOSITED OF USGS.
QUADRANGLE SHEETS)

SCALE

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EXHIBIT C

EXHIBIT "D"

WATERMASTER OPERATING
CRITERIA

The following operating criteria shall guide and bind Watermaster in administering the provisions of this Physical Solution Agreement:

1. Basic Data. Watermaster shall accumulate basic data in the form of measurements or estimates of the following flows or hydrologic facts which Watermaster may determine to be necessary to maintenance of accounts required by the physical solution. In the accumulation of such data, Watermaster shall observe the following criteria:

(a) Lake Elevations. Monthly readings shall be taken on or about the first of each month of the elevation of the lake surface as shown on the gage located at the Dam.

(b) Lake Evaporation. Evaporation stations shall be strategically located in the vicinity of the lake and average monthly rates of evaporation shall be calculated therefrom.

(c) Precipitation. Average total rainfall in Upper Bear Creek Watershed shall be derived from weighted analysis of rainfall stations to be designated or established by Watermaster.

(d) Surface Flows.

(1) Natural Tributary Inflow to Lake. All

measurable or observable surface inflow to the lake from Upper Bear Creek Watershed shall be measured or estimated, directly or indirectly, and aggregated monthly.

(2) Non-tributary Diversions to Lake. Mutual currently causes waters of Siberia Creek Watershed to be diverted from Bluff Lake into Lake, and flood flows of Van Dusen Creek in Baldwin Lake Watershed to be similarly diverted. Such diversions of non-tributary waters, together with any additional such diversions shall be measured or calculated monthly and credited to the party causing such diversion. In the event Mutual desires to cease or abandon either its Bluff Lake or Van Dusen diversions, and District maintains or enlarges such flows at District's expense, such flows shall be credited to District's account in calculating water in storage vis-a-vis Mutual. In such event, accounting for such flows, for purposes of Basin Make-up Water obligations, shall depend upon whether the waters diverted are naturally tributary to the Santa Ana River or not.

(3) Dam Releases. All intentional releases of water through the Dam shall be continuously measured and recorded.

(4) Dam Spills. Any spills of water over the Dam shall be measured or estimated and recorded monthly.

(5) Dam Leakage. All leakage through the dam shall be measured or estimated and a correlation between leakage and lake elevation shall be developed if possible.

(6) Santa Ana River at the Confluence with Bear Creek shall be calculated.

(7) Bear Creek at the Confluence with Santa Ana River shall be calculated.

(8) Santa Ana River at the Mouth of the Canyon shall be measured and average daily flows recorded. (This is currently being maintained by U.S.G.S.)

(e) Canyon Subsurface Diversions. Average subsurface diversions at Canyon Wells #1 and #2 shall be recorded monthly.

(f) Diversions at Mouth of the Canyon. Monthly quantities diverted at the Mouth of the Canyon shall be separately measured and recorded for diversions to

(1) High Line

(2) Redlands Canal

(3) North Fork Canal

(4) Edwards Canal

(5) Conservation District Spreading Grounds.

(6) Amount not diverted.

(g) In Lieu Water Deliveries shall be separately recorded as to place of delivery into Mutual's system, monthly quantity and type of source, i.e., whether from

(1) Mutual's wells

(2) Third party wells

(3) Exchange Water, or

(4) Direct Delivery of State Project Water.

(h) New Water Use by Mutual's Shareholders in Upper Santa Ana River Watershed, by reason of location of additional shares in said area, shall be accumulated monthly and recorded.

(i) Additional Points of Measurement as determined from time to time to be necessary, in the opinion of Watermaster.

2. Determinations and Calculations. Based upon the foregoing basic data, Watermaster shall make the following determinations and calculations:

(a) Net Monthly Lake Inflow shall be determined, together with its components of:

(1) Natural inflow and precipitation on the Lake, plus

(2) Diverted non-tributary inflows by reason of

[a] Mutual's activity (i.e., Van Dusen Creek and Bluff Lake),

[b] District's activity (such as,

but not limited to, proposed Rathbone reclamation operation), less

(3) Export from Upper Bear Creek Watershed (i.e., BBAWA project).

(b) Monthly Evaporation shall be calculated for both

(1) Actual lake operations, and

(2) Mutual's Lake Water Operation.

(c) Monthly Releases shall be accumulated for both

(1) Actual lake operations, and

(2) In Lieu Water deliveries.

(d) Spills and Leakage shall be accumulated for

(1) Actual lake operations, and

(2) Mutual's Lake Water Operation.

(e) Monthly Change in Storage shall be calculated for

(1) Actual lake operations, and

(2) Mutual's Lake Water Operation.

(f) Area and Capacity Curve will be developed for the Lake under current conditions.

3. Accounts.

(a) Mutual's Water In Storage shall be determined as follows for each month:

Beginning storage

+ Total Inflow

- Import from Non-tributary sources by District

- Pumped groundwater introduced into Lake
+ Net Sewage Export from Upper Bear Creek Watershed
- In Lieu Water delivered
- Releases or uses by Mutual
- Spill chargeable to Mutual account
- Leakage chargeable to Mutual operation
- Evaporation charged to Mutual operation
= Mutual's month-end water in storage.

(b) District's Water in Storage. Any water actually in storage in excess of Mutual's water in storage, as calculated above, shall be for the account of District. So long as District has water in storage, all spills from the Lake shall be deemed District water.

(c) Basin Make-Up Water Account. Accounting for Basin Make-up Water Deficiency or Credit shall be pursuant to the following:

$$[(.50)(R_d) + (.51)(S_d) + (.50)(P_d)] - [(.50)(R_m) + (.51)(S_m)] = \text{Deficiency or Credit.}$$

Wherein:

R_m = Releases which would have been made under Mutual Operation.

S_m = Spill which would have occurred under Mutual Operation.

R_d = Releases actually made under District Operation.

S_d = Spill which actually occurred under District Operation.

P_d = In lieu water purchased by District from San Bernardino Valley MWD or the Management Committee of the Mill Creek Exchange and delivered under District Operation to Mutual for service area requirements.

4. Supplemental Inflow to Lake and Export from Upper Bear Creek Watershed. In accounting for water in storage in the Lake to Mutual's account and calculating District's obligation for Basin make-up water, the effect of certain existing and potential diversion and export practices must be accommodated.

(a) Supplemental Inflow. Whether inflow to the Lake is supplemented from surface streams, production of ground water, diversion of reclaimed water or otherwise, it shall be credited to the water-in-storage account of Mutual or District, in accordance with which party causes such inflow to be so supplemented. In the event an existing diversion by Mutual is enlarged or expanded by District, at its sole expense, an allocation of resulting flows shall be made by Watermaster.

Such supplemented inflow shall be accounted for in the calculation of District's Basin Make-up Water obligation depending upon whether the source of any such surface water was tributary or non-tributary to the Santa Ana River.

(b) Export from Upper Bear Creek Watershed. Conservation District has entered into an agreement with Big Bear Area Regional Wastewater Agency, County

Service Area No. 53, and the Big Bear Lake Sanitation District relating to the export of wastewater from the Santa Ana Watershed by said agencies. The agreement terminates on June 30, 1985.

In the event gross export from Upper Bear Creek Watershed to any area not tributary to the Santa Ana River exceeds gross import to the Santa Ana River Watershed within Upper Bear Creek Watershed, calculated inflow to the Lake shall be increased each year, beginning with the calendar year 1986 by the amount by which such gross export exceeds imports. If gross import exceeds gross export, said excess shall be credited against District's Basin Make-up Water obligation.

EXHIBIT "E"

THIS MEMORANDUM, made this 23rd day of May, 1883, by and between the Bear Valley Land and Water Company, a corporation party of the first part, and the North Fork Water Company, a corporation, and the undersigned, other than the said two corporations owners of water in the North Fork Ditch of the Santa Ana River, and Cram and Van Leuven Ditch, parties of the second part;

WITNESSETH: Parties of the second part are desirous of making an arrangement with the party of the first part whereby the supply of water available to said parties of the second part may be made certain and secure during the months of June, July, August, September, October and November, and are further desirous of increasing the present capacity of the said North Fork Ditch and completing the construction of the same,

NOW THEREFORE, Know all men by these presents;

I.

Parties of the second part agree that all their respective water, water rights and interests over and above the amount or quantity herein stipulated to be furnished and allowed to or attained by the parties of the second part may be perpetually held and enjoyed by the party of the first part for its use, benefit and disposal, subject to the terms and conditions of this agreement, and except as herein limited, it being expressly understood hereover, that each party of the second part retain the right to sell, convey, transfer, mortgage, pledge or otherwise dispose of his or its respective rights or interests in said water or water rights or in this agreement, subject also to the terms and conditions hereof.

EXHIBIT "E"

II.

The parties of the first part agree to furnish and deliver to the parties of the second part continuously during the following months of each and every year hereafter the number of inches of water, under a four inch pressure, hereinafter mentioned, as allotted to each of said months respectively, to-wit; June, Five Hundred (500) inches; July, Six Hundred (600) in inches; August, Six Hundred (600) inches; September, Five Hundred and fifty (550) inches; October, Four Hundred and fifty (450) inches; November, Four Hundred (400) inches.

It being expressly understood and agreed that at the written request of a majority in interest of the parties of the second part, based upon their respective interests, in said water and water rights the amount to said months as above respectively allotted, may be changed for the current year in which said request is made, in the manner following, to-wit; If it is desired that the allowance as above set forth for any month be lessened, such diminution shall be allowed and the amounts so diminished from any one month shall be added to some other of said months succeeding; provided that the allowance or addition so made shall not increase for any one month the amount of six hundred inches.

III.

It is understood and agreed that during the months of December, January, February, March, April and May, one-fourth of all the water flowing in the Santa Ana River at the point known as the Divide, (exclusive of water placed therein by parties of the first part) being the only place where the

waters of the North Fork and South Fork Ditches, so called, are divided, shall belong and be delivered to parties of the second part by parties of the first part. It being further understood and agreed that the surplus of all waters so apportioned to parties of the second part which is not required or desired to be used by parties of the second part, may be used by parties of the first part; always providing that parties of the second part shall be the sole judges of whether such surplus water is or is not required by them; all waste water at the end of the said North Fork Ditch shall belong to party of the first part. This stricken out by supplemental agreement

IV.

It is further understood and agreed that in the event of there being upwards of Thirteen Hundred (1300) inches of water in the said Santa Ana River at the point of 'Divide' aforesaid, in its natural flow exclusive of water therein placed by act of parties of the first part during the month of June of any year, then one-half of the surplus of said water shall belong and be delivered by party of the first part to parties of the second part and the division and allotment of surplus shall in no way affect or control the allotment of water hereinbefore specified under Caption II hereof, and shall be considered as and be wholly independent thereof.

This stricken out by supplemental agreement

V.

All division or allotment of water under this agreement as between party of the first part and the parties of the second part shall be measured and made at the point on the Santa Ana Canon or River hereinbefore referred to and known as the 'Divide'.

VI.

Parties of the second part agree within two years from

the date hereof to complete the Ditch of the North Fork Water Company by enlarging the same where not already paved and cemented and where not already of such capacity to a size sufficient to carry fifteen hundred (1500) inches of water, and by substantially cementing and paving such portions so to be enlarged aforesaid and to pay one-half of the expense of such enlargement, paving and cementing together with one-half of the expense of maintaining the said ditch when completed as aforesaid, and party of the first part hereby agrees to pay the other half of said expense.

VII.

On the execution of this agreement party of the first part agrees to pay the parties of the second part the sum of Two Thousand ($2000) Dollars, and on the first day of January, 1888, the further sum of Two Thousand ($2000) Dollars as a consideration for the half interest in the said North Fork Ditch mentioned. By the North Fork Ditch is meant the main ditch commencing at or near the "Divide" aforementioned, and extending to Haven corner and as described in Articles of Incorporation of North Fork Ditch Company.

VIII.

It is further understood and agreed that until said ditch shall be enlarged to a capacity of Fifteen Hundred (1500) inches as hereinbefore stated, no greater amount of water shall be allowed to flow into or through said ditch by party of the first part than twelve hundred (1200) inches without the written consent of a majority of the water interests of parties of the second part.

IX.

The capacity of said ditch may be at any time hereafter

EXHIBIT "E"

increased beyond said fifteen hundred (1500) inches by either party of the first part or parties of the second part, in which event the expense of said enlargement may be borne in equal proportions by the parties hereto, and in that event said parties shall be entitled to share equally in the use and enjoyment of said increased capacity. In the event however, that either of the parties hereto shall fail or refuse to unite with the other of said parties in effecting said increase of capacity, or in promptly paying one-half of the expenses of making the same, then and in that case the parties so failing or refusing shall not be entitled to the use or enjoyment of said increased capacity or of any of the benefits thereof.

X.

It is understood and agreed that substantially one-half of all water taken from the Santa Ana River aside from that which may be supplied from the Bear Valley Reservoir shall at all times flow in said North Fork Ditch.

XI.

It is further understood and agreed that the party of the first part shall be under no obligation to furnish water to parties of the second part as hereinbefore provided until on and after June 1st. 1886. And that until said date all the water of said River which parties of the second part have used, or to which they have been entitled prior to the date hereof shall be used as heretofore and in the same proportions irrespective of the allotments mentioned under this agreement.

XII.

Each individual of the parties of the second part agrees

for himself and itself and his and its successors in interest respectively to contribute and pay the proportions of the expenses necessary to carry out and fulfill so much of this agreement as is to be carried out, fulfilled or performed by or on the part of the parties of the second part in proportion to the interest or shares of parties of the second part in the said water rights, ditches or privileges owned by each of said parties of the second part in said North Fork Ditch and water right.

For the purpose of equitably adjusting and distributing the division of the expenses aforesaid for the construction and maintainance of said North Fork Ditch among the owners thereof, parties hereto of the second part among themselves, said ditch shall be considered in two sections; one from the divide aforesaid down to and including the head or distributing gate of the Cram Ditch known as section one; and the other from said head or distributing gate of the Cram Ditch to the end of said North Fork Ditch, known as section two.

Those using water or drawing water from any portion of said North Fork Ditch shall pay in proportion to their respective rights or shares in and to said ditch, water or water privileges for the expenses of constructing or repairing of said section one, and those using water in or from section two of said ditch shall pay according to their respective shares or rights in said ditch, water or water privileges for the construction and repair of said section.

XIII.

If at any time the party of the first part shall fail to

comply with the terms and conditions of this agreement in furnishing and delivering water to the parties of the second part or their successors in interest, then it shall forfeit all right, franchises, privileges and interest derived from parties of the second part, under and by virtue of this agreement, and all rights, franchises and privileges or interests hereby conceded to it by said parties of the second part, or created in pursuance of the terms hereof, may be resumed and retained by said parties of the second part, the same as if this agreement had not been made. And all rights and interests of said party of the first part to the said North Fork Ditch shall cease and determine. But a temporary failure or interruption of not more than ten days after said party of the first part has received written notice thereof from said parties of the second part, resulting from unforeseen or unexpected accident not attributable to the negligence or fault of the party of the first part shall not be considered such a failure as to work such forfeiture— it being the intention not to favor or take advantage of mere technical breaches of this agreement, but that the same shall receive a fair and liberal construction to promote substantial justice and fair dealing between the parties hereto.

XIV.

In all matters or things to be acted upon or done or decided by or concerning the affairs, conduct, management or interest of the parties of the second part under this agreement; A majority in interest of said parties of the second part shall control.

EXHIBIT "E"

XV.

The parties of both parts (that is, each part) are each to have an equal voice in the construction, management and repairs of said ditch, and if they cannot agree in respect to such matters or any of them, then each party shall select a referee to decide such matters of difference; with power to said referees in case of a disagreement between them to select an umpire or third person, and a decision of a majority of said referees so selected shall be binding upon the parties hereto.

XVI.

It is understood and agreed by all the parties hereto that time is of the essence of this agreement — But if from act of God or any unforeseen accident, elemental or otherwise, not attributable to the negligence or default of party of the first part whereby their dam or other works for the supply of water may be temporarily destroyed or injured; then in event that all of the natural flow of the water of the Santa Ana River and its tributaries to which parties of the second part may be entitled independent of this agreement, be permitted by party of the first part to flow down to the "Divide" of the North Fork and South Fork Ditches, - then no damages or forfeiture is to ensue.

XVII.

It is further agreed by party of the first part that in event of said party increasing the capacity of said North Fork Ditch beyond fifteen hundred (1500) inches and conducting a greater amount of water therein than said number of inches, any breakage or damage to said ditch or any part thereof shall be caused attributable to said increased flow - then said party of the first part is at its own expense to immediately

EXHIBIT "E"

repair said ditch and to pay all of said damages.

IN WITNESS, WHEREOF, the parties hereto sign their respective names this 23 day of May 1885.

L. C. Waite, A. M. Aplin, Mrs. D. C. Randall, Geo. Miller, Th. C. Waite, Proxy, C. R. Wilke by N. Laycock, Proxy, Nelson Laycock, John Stone by R. F. Cunningham, Proxy, R. F. Cunningham, D. A. Coddington by R. F. Cunningham, Proxy, R. F. Cunningham, Dodd Dwyer, S. F. Grow by W. F. Grow, L. E. Rice, W. R. and T. S. Ingham,

John Cheny,
Wm. H. Cheny,
Seth Marshall
} By their Attorney in Fact
H. M. Willis.

G. W. Beattie, Mrs. Anjelica Beattie by G. W. Beattie, Proxy, H.M. Strong by G. W. Beattie, Att'y in Fact, John W. Downs, A. B. Crier, R. B. Fossenden, C. K. Mattison, M. Cloghorn, L. F. Cram, J. C. Weeks, H. J. Quinan, Christian Kurtz, Mary Ely, F. H. Cavalier,

(SEAL)

North Fork Water Company
By L. C. Waite, President
G. W. Beattie, Secretary.

State of California
County of San Bernardino
} SS.

On this 23d day of May, one thousand eight hundred and eighty-five, before me H. Connor, Court Commissioner in and for the said County of San Bernardino, Personally appeared L. C. Waite and G. W. Beattie, known to me to be the President and Secretary respectively of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

EXHIBIT "B"

(SEAL) In Witness Whereof, I have hereunto set my hand and affixed my official seal at my office in the said County of San Bernardino, the day and year in this certificate first above written.

H. Conner,
Court Commissioner.

Bear Valley Land and Water Company,

(SEAL) By J. G. Hurt, President.

E. A. Holt, Secretary.

State of California }
County of San Bernardino } SS.

On this 23d day of May, one thousand eight hundred and eighty five, before me, H. Conner, Court Commissioner in and for the said County of San Bernardino, personally appeared J. S. Hurt, and E. A. Holt, known to me to be the President and Secretary respectively of the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same.

(SEAL) In Witness Whereof, I have hereunto set my hand and affixed my official seal at my office in said County of San Bernardino the day and year in this certificate first above written.

H. Conner,
Court Commissioner.

EXHIBIT "E"

This supplemental agreement made this 27th day of June 1885 by and between the North Fork Water Company of the one part and the Bear Valley Land and Water Company of the other part, all of San Bernardino County, State of California, with intent to modify and render more definite and certain a certain contract heretofore made between said parties and other owners of the North Fork Water Ditch and right.

WITNESSETH: That it is understood and agreed that section four of said agreement of May 23, 1885, be, and the same is hereby stricken out, cancelled and declared of no force and effect.

It is also understood, covenanted and agreed by the said Bear Valley Land and Water Company to and with the said North Fork Water Company and other owners of and in the North Fork Ditch, not members of said corporation, that during the months of June, July, August and September of each year the parties of the second part in said agreement of May 23, 1885, shall have the right to pass over or draw back any amount of water they may designate from any month to any month of either of their aforesaid months, not exceeding the limit of six hundred inches in any one month and the aggregate amount of water for said four months shall not exceed twenty-two hundred and fifty inches.

The last clause of section three of the agreement of May 23, 1885, in reference to waste water is stricken out.

This agreement is intended to embrace all parties drawing water through the North Fork Ditch, and especially the portion of said water belonging to the Green and Van Leuven Ditch.

And subject to the modification herein contained all

EXHIBIT "E"

other provisions of said agreement of May 23rd, 1883, are in full force and effect.

In Witness Thereof, the respective parties hereto have set their hands and seals this day and year first above written.

North Fork Water Company,

(SEAL) By L. C. Waite, President.

G. W. Beattie, Secretary.

Bear Valley Land and Water Company,

(SEAL) By J. S. Burt, President.

E. A. Holt, Secretary.

State of California, }
County of San Bernardino, } SS.

On this 27th. day of June, one thousand eight hundred and eighty-five before me, E. H. Morse, a Notary Public in and for the said County of San Bernardino, personally appeared L. C. Waite and G. W. Beattie, respectively President and Secretary of the North Fork Water Company and J. S. Burt and E. A. Holt respectively President and Secretary of the Bear Valley Land and Water Company, personally known to me to be the persons described in and the respective officers of the corporations that executed the within instrument, and acknowledged to me that such corporations executed the same. In Witness Thereof, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

(SEAL) E. H. Morse,

Notary Public.

EXHIBIT "E"

This Memorandum, made this 27th day of February, A. D., 1926, between the undersigned of the shareholders in the South Fork Ditch of the Santa Ana River, Sunnyside Division, parties of the first part, and the Bear Valley Land and Water Company, a corporation, party of the second part witnesseth:

Whereas parties of the first part and their co-owners in the said ditch above named are the owners of the right to use all of the half of the flow of the Santa Ana River divided at the point in the mouth of t e Santa Ana Canon commonly known as the divide, and are desirous of making an arrangement with party of the second part thereby the supply of water available to parties of the first part, may be made certain and secure during the months of May, June, July, August and September and October.

Now Therefore, know all men by these presents, 1. That parties of the first part agr e that all of their respective water water-rights and interests in such water and ditches hereinbefore mentioned over and above the amount or quantity herein stipulated to be furnished and allowed to or retained by said parties of the first part may be perpetually held and enjoyed by party of the second part for its use, benefit and disposal subject to the terms and conditions of this agreement and except as herein limited; it being expressly understood however that each party of the first part retains the right to sell, convey, transfer, mortgage, pledge or otherwise dispose of his respective right or interests in said water or water rights or in this agreement subject also to the terms and conditions hereof.

II. The party of the second part agrees to furnish and de-

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liver to parties of the first part continuously through the following named months of each and every year hereafter the number of inches of water under a four inch pressure hereinafter next mentioned as alloted to each of said months respectively, to-wit:

May	466-2/3	inches.
June	466-2/3	inches.
July	466-2/3	inches.
August	466-2/3	inches.
September	466-2/3	inches
October	466-2/3	inches

It being expressly understood and agreed that upon the written request of a majority in interest of the parties of the first part based upon their respective interests in said water and water-rights, the amounts to said months above respectively alloted may be changed for the current year in which said request is made in the manner following, to-wit:

If it be desired that the allowance as above set forth for any of said months be lessened, such a diminution shall be allowed and the amount so diminished from any one month shall be added to some other of said months designated by parties of the first part, provided that the allowance or addition so made shall not increase for any one month the amount to more than six hundred (600) inches, such request to be made in writing to party of second part on or before April 20th of such year.

III. The party of the second part agrees to furnish and deliver to parties of th first part continuously throughout the following named months three hundred (3000) inches of

water measured under a four (4) inch pressure, to-wit; November, December, January, February, March of each and every year hereafter; provided that in case in any such months in any year it is found that there is flowing in said river at the divide a greater quantity of water than six hundred inches going to parties of the second part by the terms of this contract, then one half of the excess above six hundred inches up to and making a maximum of six hundred inches going to parties of the first part, shall be added to and be furnished to parties of the first part for such three hundred inches for any of such months and on the other hand; if it is found that there is flowing in said river at the divide a less quantity of water than six hundred inches going to parties of the second part by the terms of this contract, then one half of such deficiency shall be deducted from three hundred inches and the remainder only shall be for such months furnished to parties of the first part.

IV. It is understood and agreed that a quantity of water taken from the Santa Ana River aside from that which may be supplied from the Bear Valley reservoir substantially the same as that which has heretofore ordinarily flowed through the ditch of parties of the first part shall at all times hereafter flow through said ditch or such other ditch as may be constructed in lieu thereof.

V. It is further understood and agreed that the party of the second part shall be under no obligation to furnish water to parties of the first part as hereinbefore provided until on and after June 1st, 1936, and that until said date all the water of said river which parties of the first part have used, or to which they have been entitled prior to the date hereof,

EXHIBIT "B"

shall be used as heretofore and in the same proportions irrespective of the allotments mentioned under this agreement.

VI. It is further understood and agreed that party of the second part shall bear the whole cost and expense of constructing any ditch, or continuation, extension or enlargement of any ditch that may be built in lieu of addition to or in connection with the whole or any part of the ditch of parties of the first part and shall further keep said ditch in good repair and condition at its own cost and expense.

VII. If at any time party of the second part shall fail to comply with the terms and conditions of this agreement in furnishing and delivering water to the parties of the first part or their successors in interest, in that event, it shall forfeit all rights, franchises, privileges and interests derived from parties of the first part under and by virtue of this agreement and all rights, franchises, and privileges and interests hereby conceded to it by said parties of the first part or created in pursuance of the terms hereof may be resumed and retained by said parties of the first part the same as if this agreement had not been made, and all rights and interests of said party of the second part in the said ditch of parties of the first part shall cease and determine, and further, in the event of such failure on the part of the party of the second part and of the forfeiture hereinbefore provided for in case party of the second part shall have constructed any ditch in lieu of the whole or any portion of the ditch of parties of the first part, or shall have improved or increased the same, then and in that event parties of the first part are hereby granted the right to purchase such new or increased or

EXHIBIT "F"

improved ditch constructed or to be constructed in lieu of their old ditch or any part thereof as aforesaid, if such purchase seems to them expedient upon the basis and at a price to be fixed as follows; to-wit: Parties of the first part and party of the second part shall each respectively appoint a disinterested person to act as an appraiser and in the event of said appraisers failing to agree, the two appraisers thus appointed shall select a third person to act with them as appraiser, and in the event of their failing to agree upon such third person, the Judge of the Superior Court of the County of San Bernardino may appoint such person, and a decision of the majority of said appraisers shall control in the event that said ditch so proposed to be purchased as aforesaid shall be of a capacity no greater than that required to convey two thousand (2000) inches of water measured under a four inch pressure; said appraisers shall view said ditch and determine its actual value at the time of such examination and shall report the result of their determination in the matter in writing within ten (10) days thereafter to the parties hereto or their assigns, and in the event of said ditch being of a capacity to convey more than two thousand (2000) inches of water measured under a four (4) inch pressure then said appraisers in making their estimate shall disregard the excess of capacity over two thousand (2000) inches, and shall appraise said ditch at the price that a ditch with a capacity of no more than two thousand (2000) inches similarly constructed and in like repair would be reasonably worth.

And in either event, the parties hereto bind themselves, their heirs, executors, administrators, assigns and succes-

sors, to abide by the decision of said appraisers or a majority of them in the premises.

In case however, the forfeiture of the right of party of the second part as hereinbefore set forth, parties of the first part do not elect to purchase said ditch as hereinbefore provided, then, and in that event, it is understood and agreed that said parties of the first part shall have and they are hereby granted a perpetual right of way through such ditch for the conveyance of 600 inches of water; the excess over 600 inches of capacity of such ditch to belong to parties of second part.

It is further understood and agreed in regard to the matter of forfeiture herein before referred to that a temporary failure or interruption in the performance of the condition and agreements herein stipulated as by party of the second part to be kept and performed if for not more than ten (10) days after party of the second part has received written notice thereof from parties of the first part resulting from unforseen or unexpected accident not attributable to the negligence or fault of party of the second part shall not be considered such failure as to work such forfeiture; it being the intention of all the parties hereto not to favor or take advantage of mere technical breaches of this agreement, but that the same shall receive a fair and liberal construction to promote substantial justice and fair dealing between the parties hereto.

VIII. In all matters or things to be acted upon or done or decided by or concerning the affairs, conduct, management or interests of parties of the first part under this agreement,

majority in interest of said parties of said parties of the first part shall control.

IX. It is understood and agreed by all the parties hereto that time is of the essence of this agreement; but if from the act of God, or any unforseen accident elemental or otherwise not attributable to the negligence or default of the party of the second part whereby its dam or other works for the supply of water may be temporarily destroyed or injured, then in the event that all the natural flow of the water of the Santa Ana River and its tributaries to which the parties of the first part may be entitled, independent of this agreement, be permitted by party of the second part to flow down to the divide with the Redlands ditch at the place commonly known as the Sycamore Tree, then no damage shall be claimed or forfeiture ensue.

X. It is further understood and agreed that party of the second part shall permit no trespass upon, nor interference with the right of parties of the first part in or to any of the waters of the Santa Ana River during the time that this contract shall remain in force and that said party of the second part may take such prompt steps by litigation, or otherwise lawfully and which the particular exigency may require to prevent any infringement by third parties upon the rights of parties of the first part, or any of them, in or to any of said water.

And it is further understood and agreed that in the event of the failure of party of the second part to take such necessary steps for the purposes aforesaid parties of the first part hereby reserve to themselves the right to proceed in

EXHIBIT "F"

their own manner and behalf in said matter in such way as to them seems most advisable for the abatement or prosecution of such trespass or interference, anything in this contract to the contrary notwithstanding.

XI. All division or allotment of water under this agreement as between parties of the first part and party of the second part shall be measured and made at the divide, so called, between the ditch of parties of the first part and the Redlands Ditch at or near the point commonly known as the Sycamore Tree

In Witness Whereof the parties hereto have hereunto interchangeably set their hands and seals the day and year first above written.

	Shares.	
I.D.B.Stillman,	32	(Seal)
Saml. J. Hayes,	1	(Seal)
T. C. Starr,	1-1/2	(Seal)
A. L. Park,	1	(Seal)
D. B. Alverson,	1	(Seal)
D. M. Balch,	8	(Seal)
E. G. Judson, by his attorney in fact, F. E. Brown,		
F. E. Brown,	10	(Seal)
E. A. Holt,	5-1/2	(Seal)
Mrs. Mary Hopkins,	3	(Seal)
L. G. Haight,	5	(Seal)
James Garrison,	5	(Seal)
Geo. A. Cook,	1-3/4	(Seal)
F.A.Fornud by G.A.Cook, Atty in fact	1	(Seal)
O.J.Abbott by J.C.Reeves,Atty in fact	1-1/2	
~~Augusta~~ Augusta M. S. Kelley,	2-1/2	
Joseph S. Hale,	2	(Seal)

EXHIBIT "F"

E. E. Ball,	2
J. B. Clover,	2-1/2
Israel Beal,	4-3/4
Redlands Water Company,	50
By David Morey, President	
J. S. Edwards, Secy.	
R. B. Smith,	4
Truman Reeves,	1
D. L. Clark,	1
Wm. and E. Leindenberg,	4-1/2
Wm. B. Reeves and R. A. Reeves,	3
Mrs. Germlit (May)	1
W. C. Butler,	3-1/2
L. Fegler,	1
Ben Barton,	15
D. L. Adams and Julia and T. Adams	4
E. E. Booth,	1/2
C. E. Thompson by E. E. Booth	1/2
Mrs. Jane D. Hale,	1
Lugonia Fruit Packing Co.,	
by Geo. A. Cook, President,	1
2nd Congregational Church of San Bernardino at	
Lugonia by Geo. A. Cook, Pres't Board Trustees	1/4
Mrs. A. M. Tichenor	3
E. I. Fullerton,	1/2
A. Elliot Paine,	1
Lugonia Fruit Growing and Packing Company by Henry W. Robinson, Pres't and Charles W. Sumner, Treasr.	20
A. F. Jones,	1/2

EXHIBIT "F"

John Aiken Preston,	3
G. W. Chadrick,	1
N. H. Dunham,	1
Chas Frank Day,	1/2
H. Clarence Eddy,	2
Sara Hushey Eddy,	
Mira Hushey,	1
Charles H. Morse,	2
D. A. Shaw,	11-1/2
L. E. Shaw,	2
E. J. Fullerton,	1
Frank Minkley,	21
Wm. R. Tolles,	41-1/2
C. P. Barrows,	3
C. H. Lathrop,	1-1/2
H. W. Camp,	1/4
M. M. ~~Gonzalves~~ Gonsalves	
G. A. Shaw,	2
William Gregory,	1
Dean Valley Land and Water Co.	55 % / 300.5 shares of total 375

by Jas. G. Burt, Prest. (Corporate) (Seal)

A. Holt, Secy.

A full, true and correct copy of the original Recorded at the request of J. G. Burt, Sept. 5th A.D. 1887, at 4:35 o'clock P.M.

Logaro Allen,

County Recorder,

By O.J.Troen, Deputy.

EXHIBIT "F"

STATE OF CALIFORNIA,)
) SS.
COUNTY OF SAN BERNARDINO.)

I, LEGARE ALLEN, County Recorder of said county, hereby certify the foregoing to be a full, true and correct copy of the Agreement between I. D. B. Stillman, et al, and the Bear Valley Land and Water Company, as recorded in Book I of Agreements, page 315, Records of San Bernardino county.

IN WITNESS WHEREOF, I have hereunto set my hand (Seal) and affixed my official seal this 4th day of September, a.d. 1888.

Legare Allen, County Recorder.
By W. M. Minkler, Deputy.

EXHIBIT "F"

Original Filed

FEB 7 1977

V. Dennis Wardle
County Clerk

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN BERNARDINO

BIG BEAR MUNICIPAL WATER DISTRICT, Plaintiff, v. NORTH FORK WATER COMPANY, et al., Defendants.	No. 165493 ORDER APPOINTING WATERMASTER

Paragraph 14 of the Judgment herein provides for the appointment of a Watermaster Committee, consisting of representatives nominated by District, Conservation District and Mutual. Court, having received and filed the nominations by said parties, and good cause appearing,

IT IS HEREBY ORDERED that the following representatives be, and they are hereby appointed for the term and pursuant to the conditions SPECIFIED IN said Paragraph 14 of the Judgment, as the Watermaster Committee for purposes of administration of the Judgment and physical solution pursuant to this Court's continuing jurisdiction and subsequent orders:

CLAYSON, ROTHROCK & MANN
EUGENE A. NAZAREK
601 South Main Street
Corona, California 91720
Telephone: (714) 737-1910

Attorneys for Plaintiff

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN BERNARDINO

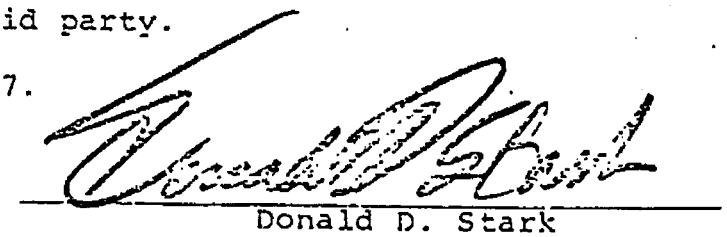
BIG BEAR MUNICIPAL WATER DISTRICT, Plaintiff, v. NORTH FORK WATER COMPANY, et al., Defendants.	No. 165493 NOTICE OF WITHDRAWAL OF SPECIAL COUNSEL FOR PLAINTIFF

PLEASE TAKE NOTICE that DONALD D. STARK, special counsel for Plaintiff herein, hereby withdraws as counsel of record for purposes of the Court's continuing jurisdiction. Co-counsel of record

CLAYSON, ROTHROCK & MANN
EUGENE A. NAZAREK
601 South Main Street
Corona, California 91720
Telephone: (714) 737-1910

who are general counsel for Plaintiff District, will remain as sole counsel of record for said party.

DATED: February 14, 1977.



Donald D. Stark

STARK
AT LAW
CENTER
VE
LIF. 92713

PROOF OF SERVICE BY MAIL

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

I am a citizen of the United States and a resident of the county aforesaid; I am over the age of eighteen years and not a party to the within-entitled action; my business address is 2061 Business Center Drive, Irvine, California 92715. On February 15, 1977, I served the within Notice of Withdrawal of Special Counsel for Plaintiff on the Defendants in said action, by placing a true copy in a sealed envelope with postage thereon fully prepaid, in the United States mail at Irvine, California, addressed as follows:

Mr. James Edwards
Surr & Hellyer
599 Arrowhead Avenue
San Bernardino, Calif. 92412

Mr. Richard A. Mulligan
323 Court Street
San Bernardino, Calif. 92401

Mr. Edward F. Taylor
Welebir, Brunick & Taylor
Box 351
San Bernardino, Calif. 92402

Mr. Thomas Gilfoy
Southern California Edison Company
P. O. Box 800
Rosemead, California

Mr. Denslow Green
Green & Green
P. O. Box 1018
Madera, Calif. 93637

Mr. Edwin B. Hales
Hales & Hales
Box 188
Redlands, Calif. 92373

I declare, under penalty of perjury, that the foregoing is true and correct.

Executed on February 15, 1977, at Irvine, California.

Judy Patton

IN THE COURT OF APPEAL

FOURTH APPELLATE DISTRICT, DIVISION TWO

STATE OF CALIFORNIA

BIG BEAR MUNICIPAL WATER DISTRICT,

Plaintiff and Petitioners,

v.

NORTH FORK WATER COMPANY, et al.,

Defendants and Respondents.

STIPULATION FOR ABANDONMENT AND

DISMISSAL OF APPEAL

GREEN & GREEN
P. O. Box 1019
Madera, California 93637
(209) 674-5656

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North Fork Water Company

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Big Bear Municipal Water District

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Lugonia Water Company

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Attorneys for Respondent
Bear Valley Mutual Water Company

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Redlands Water Company

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323 Court Street, Suite 201
San Bernardino, California 92401
(714) 884-2191

Attorney for Respondent
San Bernardino Valley Water
Conservation District

STIPULATION FOR ABANDONMENT AND

DISMISSAL OF APPEAL

RECITALS:

This action is pending on appeal from judgment entered on an order sustaining a demurrer to the amended complaint, without leave to amend.

Pending this appeal, the parties have succeeded at negotiating an agreed solution to the several lawsuits and disputes which have heretofore existed between them.

It is the purpose of this stipulation to obtain an order of this Honorable Appellate Court dismissing the appeal and issuing a remittitur forthwith, with each party to bear its own costs on appeal.

STIPULATION:

IT IS HEREBY STIPULATED by and between the parties hereto that the appeal herein is abandoned and dismissed and that this Honorable Appellate Court may enter its order remitting this matter forthwith to the Superior Court of the State of California, for the County of San Bernardino, with each party to bear its own costs on appeal.

Dated: January 19, 1977.

Donald D. Stark
Special Counsel for Big Bear Municipal Water District

SURR & HELLYER

By _____

Attorneys for Respondent Bear Valley Mutual Water Company

GREEN & GREEN

By _____

Attorneys for Respondent North Fork Water Company

HALES & HALES

By _____

Attorneys for Respondent Lugonia Water Company

WELEBIR, BRUNICK & TAYLOR

By _____

Attorneys for Respondent Redlands Water Company

_____

Attorney for Respondent San Bernardino Valley Water Conservation District

Langdon W. Owen
2061 Business Center Drive
Suite 203
Irvine, California 92715
(714) 752-9082

Horace P. Hinckley
101 East Olive Street
Redlands, California
(714) 793-4901

William J. Hiltgen
303 Brookside Avenue
Redlands, California 92373
(714) 793-2503

DATED: February 4, 1977.

JOSEPH B. CAMPBELL
Judge of the Superior Court

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
GRANT AGREEMENT BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES AND SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT AND 4600004503
INTEGRATED REGIONAL WATER MANAGEMENT (IRWM) PLANS
CALIFORNIA WATER CODE § 79560 *ET SEQ.*

THIS AGREEMENT is entered into on January 3, 2006, by and between the Department of Water Resources of the State of California, hereinafter called "State," and San Bernardino Valley Municipal Water District, a "public agency," hereinafter called "Grantee," which parties do hereby agree as follows:

1. **PURPOSE.** State shall provide a grant from the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 to Grantee for the purpose of developing new or completing new or updating existing IRWM plans or to develop, complete, or modify a component of an IRWM Plan.

2. **GRANT AMOUNT.** The maximum amount payable under this Grant Agreement shall not exceed $498,560.00.

3. **TERM OF AGREEMENT.** The term of this Grant Agreement begins on January 3, 2006, and terminates on January 2, 2008, or when all of the Parties' obligations under this Grant Agreement have been fully satisfied, whichever occurs earlier.

4. **GRANTEE'S RESPONSIBILITIES.** Grantee shall faithfully and expeditiously perform or cause to be performed all project work as described in Exhibit A, Project Work Plan. Grantee shall comply with all of the terms and conditions of this Grant Agreement and with Chapter 8 (commencing with Section 79560) of Division 26.5 of the California Water Code.

5. **GRANTEE COSTS.** The reasonable costs of the project are estimated to be $773,630.00. Grantee agrees to fund the difference between the estimate of project cost in its grant application and the Grant Amount specified in Paragraph 2, if any. Grantee cost share is estimated to be $275,070.00. Grantee shall provide State evidence that such funds have been expended by task prior to submittal of a request for State grant fund reimbursement.

6. **ELIGIBLE PROJECT COSTS.** Grantee shall apply State funds received only to eligible Project Costs in accordance with applicable provisions of the law and Exhibit C, Project Budget. Costs that are not eligible for reimbursement include but are not limited to:

   a. Costs incurred prior to effective date of this Grant Agreement;

   b. Replacement of existing funding sources for ongoing programs;

   c. Support of existing agency requirements and mandates;

   d. Payment of principal or interest of existing indebtedness or any interest payments unless the debt is incurred after execution of this Grant Agreement, the State agrees in writing to the eligibility of the costs for reimbursement before the debt is incurred, and the purposes for which the debt is incurred are otherwise eligible project costs; and

   e. Overhead not directly related to project costs.

7. **METHOD OF PAYMENT.** Payment will be made no more than monthly, in arrears, upon receipt of an invoice bearing the Grant Agreement number. Submit the original and three (3) copies of the invoice form to the following address:

   Department of Water Resources
   Division of Planning and Local Assistance
   Attention: Nancy Pashugin
   P. O. Box 942836
   Sacramento, CA 94236-0001

   Invoices must be accompanied by appropriate receipts and reports. The invoice shall contain the date of the invoice; the time period covered by the invoice; the total amount due; and original signature and date (in ink) of Grantee's authorized representative. Invoices must be itemized based on the categories specified in the Budget. The amount claimed for salaries/wages/consultant fees must include a calculation formula (i.e., hours or days worked times the hourly or daily rate = the total amount claimed). Final invoice, including any requests for release of retention, shall be clearly marked 'FINAL INVOICE" and submitted NO LATER THAN May 15, 2008.

8. **PROJECT REPRESENTATIVES:** The Project Representatives during the term of this Grant Agreement will be:

   Department of Water Resources
   DPLA - CWMB
   Tracie Billington
   Chief of Special Projects
   P.O. Box 942836
   Sacramento CA 94236-0001
   Phone: (916) 651-9226
   Fax: (916) 651-9292
   e-mail: tracieb@water.ca.gov

   San Bernardino Valley Municipal Water District
   Robert Reiter
   General Manager
   P.O. Box 5906
   San Bernardino CA 92412-5906
   Phone: (909) 387-9200
   Fax: (909) 387-9247
   e-mail: bobr@sbvmwd.com

   Direct all inquiries to:

   Department of Water Resources
   DPLA - CWMB
   Judy Colvin
   P.O. Box 942836
   Sacramento CA 94236-0001
   Phone: (916) 651-9665
   Fax: (916) 651-9292
   e-mail: jcolvin@water.ca.gov

   San Bernardino Valley Municipal Water District
   Robert M. Tincher
   Manager of Engineering and Planning
   P.O. Box 5906
   San Bernardino CA 92412-5906
   Phone: (909) 387-9215
   Fax: (909) 387-9247
   e-mail: bobt@sbvmwd.com

   Either party may change its Project Representative upon written notice to the other party.

9. **PROGRESS REPORTS.** Grantee shall submit, via email, quarterly progress reports to the State's Grant Manager by the 15th January, April, July, and October for the preceding quarter. The progress reports shall provide a brief description of the work performed, accomplishments during the quarter, milestones achieved, invoice projections, description of progress on the plan, any data developed or information gained, any costs incurred, any schedule impacts, and any problems encountered in the performance of the work under this Grant Agreement. Grantee shall document all contractor activities and expenditures in progress reports. The submittal of these reports is a requirement for initial and continued disbursement of funds. Report format is attached as Exhibit E, Progress Report Format. The progress report must explain the method used to compute the amount due.

10. **FINAL REPORT.** Grantee shall prepare and submit to State, upon completion of the Project, a Final Report, which shall include: 1) an Executive Summary; 2) a comparison between the planned schedule in the Grant Agreement and actual timeline and explain the differences; and 3) a discussion of major problems that occurred in meeting the project goals and objectives as proposed and how and if they were resolved. The Final Report shall also contain a detailed description and analysis of project results, and a summary of the costs incurred and disposition of funds disbursed. The Final Report shall be provided in hard copy and digital format prior to final payment of grant funds retained by State.

11. **PERFORMANCE EVALUATION.** Grantee's performance under this Grant Agreement will be evaluated by State after completion.

12. **NOTICES.** Any notice, demand, request, consent, or approval that either party desires or is required to give to the other party under this Grant Agreement shall be in writing. Notices may be sent by any of the following means: (i) by delivery in person; (ii) by certified U.S. mail, return receipt requested, postage prepaid; (iii) by "overnight" delivery service; provided that next-business-day delivery is requested by the sender; or (iv) by facsimile transmission. Notices delivered in person will be deemed effective immediately on receipt (or refusal of delivery or receipt). Notices sent by certified mail will be deemed effective given five (5) business days after the date deposited with the U. S. Postal Service. Notices sent by overnight delivery service will be deemed effective one business day after the date deposited with the delivery service. Notices sent by facsimile will be effective on the date of successful transmission, which is documented in writing. Notices shall be sent to the above addresses. Either party may, by written notice to the other, designate a different address that shall be substituted for the one above.

    The Grantee shall promptly notify the State of events or proposed changes that could affect the scope, budget, or work performed under this Grant Agreement. The Grantee agrees that no substantial change in the scope of the Project will be undertaken until written notice of the proposed change has been provided to the State, and the State has given written approval for such change. The Grantee shall notify the State at least ten (10) working days prior to any public or media event publicizing the accomplishments and/or results of this Grant Agreement and provide the opportunity for attendance and participation by State's representatives. The Grantee shall promptly notify the State in writing of completion of work on the Project.

13. **GRANTEE REPRESENTATIONS.** The Grantee accepts and agrees to comply with all terms, provisions, conditions, and commitments of this Grant Agreement, including all incorporated documents, and to fulfill all assurances, declarations, representations, and commitments made by the Grantee in its application, accompanying documents, and communications filed in support of its request for grant funding. Grantee shall comply with and require its contractors and subcontractors to comply with all applicable laws, policies and regulations.

14. **STANDARD PROVISIONS.** The following exhibits are attached and made a part of this Grant Agreement by this reference:

Exhibit A	Project Work Plan
Exhibit B	Project Schedule
Exhibit C	Project Budget
Exhibit D	Standard Conditions
Exhibit E	Progress Report
Exhibit F	Grantee Resolution
Exhibit G	Travel and Per Diem Expenses

IN WITNESS WHEREOF, the parties have executed this Grant Agreement as of the date first above written.

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

Mark W. Cowin, Chief
Division of Planning and Local Assistance

SAN BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT

Robert Reiter, General Manager
San Bernardino Valley Municipal Water District

Approved as to legal form and sufficiency

Nancy J. Saracino, Chief Counsel

EXHIBIT A
PROJECT WORK PLAN

UPPER SANTA ANA WATERSHED IRGWM PLAN

Recognizing the vital role of groundwater resources in meeting the water needs of the Upper Santa Ana region, San Bernardino Valley Municipal Water District (Muni) and other water leaders in the region plan to develop an Integrated Regional Groundwater Management Plan (IRGWM Plan). This IRGWM Plan will be developed in coordination with SAWPA and will be integrated into the SAWPA regional plan for the Santa Ana River watershed. Muni's IRGWMP supplements SAWPA's by focusing specifically on the San Bernardino Basin Area. A representative from SAWPA will be participating in the Regional Water Management Group (called Technical Advisory Group) meetings and the SAWPA leadership group will be briefed on a quarterly basis. A representative from the Western MWD is also invited to attend the regular meetings of the Technical Advisory Group. Additional agencies that are not participants in the IRGWM but will receive regular reports and briefing include the San Jacinto River Watershed Council. Additional tasks have been added to the work plan to ensure compliance with the Groundwater Management Planning Act (see Tasks 4.8 and 4.9).

TASK 1—FORM A REGIONAL WATER MANAGEMENT GROUP

Muni's Board of Directors has approved a resolution authorizing Muni to act as the regional agency for the purpose of preparing an IRGWM Plan and as the lead agency responsible for applying for a Proposition 50, Chapter 8, Planning Grant. Muni is a participating agency in the Upper Santa Ana Water Resources Association (Association), a group of water agencies, city and county representatives, and stakeholders located in the Upper Santa Ana River watershed. The Association meets regularly to discuss regional water resource management issues. Muni and other members of the Association interested in developing the IRGWM Plan have formed a management group called the Upper Santa Ana River Technical Advisory Group (TAG) that will work as a group to assist in the preparation of an IRGWM Plan.

Each participating agency's governing board has authorized its agency to participate in the planning process and assigned a staff member to participate in TAG. TAG will be responsible for assisting in the development of the IRGWM Plan, including public outreach, oversight review of the draft plan, briefing their governing boards about its development, obtaining its adoption, and coordinating with the Department of Water Resources (DWR) and the State Water Resources Control Board (SWRCB). While others may elect to join later, TAG is composed of representatives from the following agencies:

- Muni
- San Bernardino Valley Water Conservation District
- City of Redlands
- West Valley Water District
- East Valley Water District
- City of San Bernardino Municipal Water Department
- Water Resources Institute
- Yucaipa Valley Water District
- City of Riverside

This task has been completed; however, additional agencies may join later by indicating their support of the planning process through a resolution approved by their governing boards.

TASK 2—PUBLIC INVOLVEMENT PROCESS AND MEETINGS

A broad and extensive public involvement component has been developed for this planning process. The process includes the following items and activities:

Task 2.1—Initial Public Meeting

TAG held a public meeting on May 9, 2005, to solicit input from the community regarding the preparation of an IRGWM Plan. The group announced the meeting in the local newspaper and on their websites and invited all members of the public to attend the meeting.

The purpose of the meeting was to present information about the proposed IRGWM planning process and receive comments from interested parties. The presentation described the region encompassed by the IRGWM Plan. Members of the Association planning group were at the meeting to answer questions, solicit input, and increase public awareness of the proposed IRGWM Plan.

Task 2.2—Develop Stakeholder List and Involvement Plan
TAG will develop a list of stakeholders for the region, a participation process that will ensure that the stakeholders' opinions can influence decisions about water management and a process that will continue to identify additional stakeholders. Because meetings will be regularly scheduled throughout the IRGWM Plan process, interested stakeholders will have many opportunities to provide their input.

The stakeholders will initially be contacted by TAG and will be notified about regular TAG meetings. By participating in these meetings, stakeholders will have a recurring forum for providing their comments and input.

Task 2.3—Public Meeting on Draft IRWMP
Within two weeks after the draft IRGWM Plan is made available to the public, a public hearing will be held. The general public, stakeholders, and water interests in the region will have the opportunity to provide their comments on the IRGWM Plan and to have their concerns addressed. Members of TAG and the consultant will answer questions and facilitate public involvement.

Task 2.4—Monthly TAG Meetings
TAG will meet on a regular monthly schedule throughout the preparation of the IRGWM Plan.

Task 2.5—Association Meetings
Members of the Association will be briefed periodically. Association members that are not part of TAG but are stakeholder representatives for the region will have an opportunity to participate in the IRGWM planning process through these meetings. TAG will continue coordination and cooperation with Western Municipal Water District (Western) and the San Jacinto River Watershed Council to ensure that each agency's integrated regional plan is coordinated and results in mutually supportive plans.

Task 2.6—Governing Board Meetings
Throughout the development of the IRGWM Plan, members of TAG will present quarterly status updates to their governing boards at regularly scheduled board meetings. The intent of these briefings is to keep the governing boards up to date on progress, as well as any issues that may need their attention. Consultants will assist TAG members in briefing the governing board. The board meetings will include a posted agenda item for the IRGWM Plan. The public is encouraged to participate in these meetings.

TASK 3—SOLICIT AND HIRE CONSULTANT
Muni, in consultation with TAG, has solicited and hired a consulting team, consisting of three firms specialized in different aspects of the planning project, to assist Muni and TAG in the preparation of an IRGWM Plan.

TASK 4—CONSULTANT PREPARES DRAFT IRGWM PLAN
The consultant will provide guidance to TAG by leading a number of working sessions to bring about a common understanding of the regional issues, objectives, and water management strategies and to formulate a framework for the IRGWM Plan. The consultant will also provide guidance on enhancing and using various tools to evaluate and enhance water management strategies

Throughout the preparation of the IRGWM Plan, the consultant will regularly brief TAG on the status of the work and receive its comments on the elements of the IRGWM Plan as they are drafted. It is expected that TAG and the consultant will participate in working sessions at which ideas are put forth and scenarios for water management are evaluated. TAG will comment on scenarios for integrating management strategies. Some of the work items under this task that may need special consideration while developing the IRGWM Plan include the following tasks:

Task 4.1—Refine and Enhance Planning Objectives for IRGWM Plan
The purpose of this task is to develop specific planning objectives based on:

- Previous regional efforts such as the SWRCB orders, operational experience with Seven Oaks Dam, and the Seven Oaks Accord
- Local planning documents such as Urban Water Management Plans

- Studies performed by the Association
- Discussions among TAG members and between stakeholders

Based on the key documents, including the Environmental Impact Report (EIR) for Supplemental Water Right Applications Water Management Strategies and Muni's Regional Water Facilities Master Plan, it is evident that the IRGWM Plan will be designed to provide a road map for long-term water supply reliability in the region. Therefore, at a minimum, its objectives are likely to address:

- Water supply
- Groundwater management
- Ecosystem restoration
- Water quality protection

Additional objectives are likely to be included early in the IRGWM Plan's development through the avenues listed at the beginning of this section.

Task 4.2—Water Budget Development
The purpose of this task is to develop future water demands based on projected growth in population, changes in land use, changes in water consumption patterns resulting from economic development, and demand management activities such as the implementation of Urban Water Management Plans. The water budget will be used to balance scenarios representing the growth of regional water demands with outcomes of water supply availability analyses. The water balance will be used to reveal how various demand scenarios align with realistic supply options and to identify periods with gaps between projected demands and the reliable supplies likely to be available to meet those demands. The water balance will be a primary tool in developing integrated water management strategies designed to manage both supplies and demands.

Components of this task will be based upon land and water use and population data available from TAG members. These data will be supported, as needed, by new analyses to develop a regional baseline for water and land use and a uniform methodology for generating projections. Data to be used in development of the water budget will include:

- Documentation of historical, present, and projected land and water use within the region, including urban, agricultural, and environmental water uses
- Identification of additional water needed to support future demands and of the infrastructure required to support this additional supply

Task 4.3—Develop Integrated Management Strategies for Region
When the water balance has been developed to the point that it can define baseline water demands and a range of future demands, analytical tools, including surface and groundwater models, will be applied to refine the water balance analysis of various water supply options. These options will be evaluated in the context of individual and integrated water management strategies to determine which options generate the greatest regional benefits at acceptable levels of impact and cost. Regional benefits will be framed using the multi-objective criteria developed in Task 4.1.

In developing water management options, each of the water management strategies suggested by DWR will be examined to determine its applicability as part of an integrated approach to meeting future demands. Candidate strategies or groups of strategies will be assembled into strategic options, and decision support methodologies will be applied to assist local decision makers with the identification of strategic options that are responsive to the IRGWM Plan's objectives.

Use of decision support methodologies will be important for framing strategic options in ways that clearly define the advantages and disadvantages of each strategy and that describe the interrelationships between various elements within each strategy. In this way, key issues and potential solutions can be presented to TAG members and stakeholders in a manner that facilitates discussion, enables participants to focus on central issues, and leads to well-informed, insightful decision making. The goal of this process is to enable the strategic options that move forward in the planning process to be those that are technically sound, that generate broad support, that have multiple benefits, and that integrate with other water management strategies in the region.

Clear framing of strategic options also provides the most effective structure for the use of surface water and groundwater models. This will allow targeted model runs to be used to address specific questions that can be used

to support and refine strong strategic options or to reinforce concerns regarding more problematic options. The outcome of this task will be a determination of the water management strategies that are most likely to meet the objectives of the Upper Santa Ana River watershed and that should be considered in the IRGWM Plan. Because it is intended to meet multiple water management objectives, multiple strategies will be identified. Therefore, an important aspect of this task will be to describe how individual strategies will be integrated into a strategic option that presents a cohesive program for basin-wide water management.

Task 4.4—Develop IRWMP Implementation Component and Financial Plan
The purpose of this task is to identify specific projects that are needed to implement the IRGWM Plan. These projects will be prioritized to meet regional water management objectives and to follow the water management strategies adopted in the IRGWM Plan. The proposed implementation schedule will extend beyond the adoption of the IRGWM Plan.

It is anticipated that the core projects which will be identified for implementation will be projects that have been identified in existing planning documents for Muni and the members of the Technical Advisory Group. It is further anticipated that these projects will be primarily used to distribute local surface water and groundwater to improve the management of the Bunker Hill and Lytle Creek groundwater basins. Prioritization will be made based on local water needs, availability of environmental documentation, cost of delivered water, operational flexibility, projects which provide multiple benefits, projects that create synergy, and project benefit cost ration.

Performance of projects can be measured by their delivery of local water supplies that could not be delivered without the projects. Performance of the groundwater related projects and programs will be based on meeting the Basin Management Objectives that will be prepared for the basins.

A finance plan will be developed that identifies potential sources of funding for the projects and continued implementation of the IRGWM Plan. The finance plan will be designed to have an appropriate weighting and scheduling of local and external funding.

Task 4.5—Determine Impacts and Benefits of IRGWM Plan
A process will be developed for determining impacts and benefits of the IRGWM Plan development and implementation as well as CEQA compliance. This process will be a component of the decision support methodology described in Task 4.3 that will allow Association members and stakeholders to systematically review the potential benefits and impacts of various groups of water management strategies and will introduce impact analyses and CEQA compliance into the selection of appropriate strategies. The inclusion of agency stakeholders and representation by Western and Santa Ana Watershed Project Authority in the planning process provide a structure for identifying impacts both within the region and in adjacent areas.

Environmental documentation for the water rights application filed by Muni, the San Bernardino Valley Water Conservation District, and the City of Riverside are all in the process of being finalized. The environmental documentation has been completed for all implementation projects associated with the water right applications and permits. It is anticipated that many components of the IRGWM Plan are similar to those described in the EIRs prepared for the water right applications.

As additional strategies are developed during the planning process and set forth in the final IRGWM Plan, Consulting team, in consultation with TAG, will identify their potential environmental impacts and benefits and any additional CEQA compliance needs. Upon drafting the water management strategies and identifying and prioritizing potential projects, the consulting team will evaluate CEQA needs for the IRGWM Plan and will recommend a CEQA compliance plan and schedule to TAG for review, comment, and implementation.

Some of the potential impacts and benefits that may result from implementation of the IRGWM Plan are:

Surface Water Hydrology
- Reduction in flows in the Santa Ana River
- Increased likelihood of anaerobic conditions developing in the water detained in Seven Oaks Reservoir
- Sediment erosion and transport at a number of locations

Groundwater Hydrology
- Intermittent and local exceedance of water quality objectives for total dissolved solids and nitrates

- Changes in extent and location of contaminant plumes
- Management of the interaction between surface water and groundwater resources that would reduce the potential for liquefaction conditions in certain areas of the city of San Bernardino

Biological Resources

- Reduction in the frequency and extent of flood and overbank flows could adversely impact sensitive and endangered species in the floodplain and river areas

Muni has developed a series of models and other analytical tools to estimate how much water could be reasonably diverted from the Santa Ana River. These computer-based tools are also useful for determining the IRGWM Plan's effects on surface and groundwater hydrology and on other environmental resources. When combined with a detailed understanding of the historic hydrology of the Santa Ana River, this suite of tools can provide the numerical basis for determining the IRGWM Plan's impacts and benefits.

The planning process is designed to identify the economically disadvantaged communities in the region and invite their representatives (including San Bernardino and Riverside Counties and city representatives) to participate in the planning process. This will ensure that (1) implementation of the water management strategies developed for the region will not negatively impact the water supply and water quality of the disadvantaged communities, (2) as growth occurs, additional water supplies will be available for their use, and (3) strategies would be formulated to enhance water supply and water quality for these communities.

Task 4.6—Develop Groundwater Monitoring Program

It is anticipated that the IRGWM Plan will expand the local groundwater monitoring program that relies on US Geological Survey monitoring of groundwater levels together with monitoring conducted by local agencies. All Association members conduct Title 22 monitoring for drinking water, and the annual Watermaster's report consolidates groundwater data. It is anticipated that the IRGWM Plan will include recommendations for using groundwater monitoring data to improve the operation of pumping and recharge facilities in the region.
An important function of the groundwater monitoring plan will be to monitor and assess the performance of the water management strategies and projects (as implemented) to determine if the implementation strategies are achieving the water management objectives that have been established for the IRGWM Plan. Therefore, the monitoring program will be designed to reflect the assessment needs of the water management strategies.

Task 4.7—Develop Data Management Methods

Data collected and developed during this planning process will be shared among Association members and will be available to DWR. As appropriate, data and reporting will be posted on a project website as part of the stakeholder and community participation program. A process will be developed to annually compile all of the collected and published groundwater elevation data so that the data can be used to more accurately represent the conditions of the groundwater basins in the region. This task will include the consolidation of existing data from Association members and may include recommendations for data collection, quality control, reporting, and analysis to be undertaken as an element of the implementation program.

Task 4.8—Hydrogeologic Characterization

Using existing data and information gathered and developed for the water rights EIR, consultants will summarize and prepare a draft of hydraulic characteristics of the aquifer systems and prepare geologic profiles across the groundwater basin(s), as necessary.

Task 4.9—Develop Basin Management Objectives

B-E/GEI will lead this task and work with TAG to develop Basin Management Objectives (BMO). Bookman-Edmonston/GEI Consultants, Inc. (B-E/GEI) will work with TAG to identify the water management issues of the groundwater basins in the region. Based on knowledge of the basin and previous work conducted for Muni, B-E/GEI will identify the key groundwater management issues facing Muni and other agencies. The primary issues are expected to be basin storage, high groundwater, liquefaction, interference, subsidence, and migration of contaminants. Most of these issues are directly related to groundwater levels. Artificial recharge, groundwater production, and groundwater quality are other important issues that need to be managed to ensure sustainability of the basin. BMO developed for this project will need to be flexible enough to adjust to the variety of scenarios in the basin.

TASK 5—DRAFT IRGWM PLAN FOR TAG

Task 5.1—Review of Draft IRGWM Plan by Participating Agencies
When the first draft of the IRGWM Plan has been completed, the Association will review it to ensure that all of the planned objectives have been met. When the group is satisfied with the draft IRGWM Plan, the consultant will incorporate all necessary edits and the draft IRGWM Plan will be submitted to the various agency boards for review.

Task 5.2—Briefing and Concurrence of Participating Agencies' Boards
When the preliminary draft IRGWM Plan has been completed, the members of the Association will brief their respective Boards of Directors. The boards will review the draft IRGWM Plan and make any comments before it is presented to the public. Because the Association will provide status updates on the IRGWM Plan during its preparation, the comments received from the Boards are anticipated to be minimal. The public draft IRGWM Plan will be released shortly after being presented to the various boards and the board comments have been addressed.

Task 5.3—TAG Review and Approval of Draft IRGWM Plan
After checking for completeness and ensuring that the IRGWM Plan satisfies the requirements of the Integrated Regional Water Management Planning Act, TAG will brief their governing bodies on the final plan and receive their guidance. The group then will decide whether to adopt the IRGWM Plan.

TASK 6—DRAFT IRGWM PLAN FOR PUBLIC REVIEW

Task 6.1—Public Draft of IRGWM Plan
The consultant will prepare a public draft IRGWM Plan for public review. Its availability will be announced in the local newspaper with information as to where the public can view a copy. The Association members will provide links to download the IRGWM Plan on their websites, and copies will be available in local libraries.

Task 6.2—Review and Incorporate Public Comments into IRGWM Plan
The Association and the consultant will review the public comments, incorporate them into an appendix to the IRGWM Plan, and present the revised draft IRGWM Plan to the Association.

TASK 7—PREPARE FINAL IRGWM PLAN

Task 7.1—Consultants Prepare Final IRGWM Plan
The consultant will incorporate the board resolutions adopting the IRGWM Plan into an appendix to the IRGWM Plan. The consultant will produce the required number of hard copies, as well as electronic copies of the final IRGWM Plan, and distribute the requested number of copies to the members of the Association.

Task 7.2—Adoption of IRGWM Plan by Participating Agencies' Governing Boards
The governing boards of the participating agencies will have one final review of the IRGWM Plan. It is anticipated that within two months of receiving the final IRGWM Plan, the governing bodies of the participating agencies will adopt it.

SAWPA will receive a copy of the final IRGWMP for their consideration. SAWPA may integrate this plan into the Santa Ana Watershed Regional plan and may include the plan as a supplement or appendix to their IRWMP.

Task 7.3—Final IRGWM Plan Submitted to DWR/SWRCB
The final IRGWM Plan will be submitted to DWR and SWRCB pursuant to the guidelines.

TASK 8—PROJECT ADMINISTRATION AND MANAGEMENT

Task 8.1—Contract Administration
Muni is responsible for the overall contract administration. Some of the activities associated with this task include:

- Administration of the contract with DWR
- Issuing task orders to consultant
- Administration of the contracts with other TAG agencies

Task 8.2—Project Management
Muni provides project management activities that include:

- Reviewing the consultant's work
- Reviewing project budget and schedule
- Reviewing consultant invoices

The consultant provides project management activities that include:

- Preparing and submitting invoices
- Reviewing all project work
- Coordinating with Muni, TAG, and other stakeholders

Task 8.3—Project Reporting
Muni is responsible for the project reporting that includes:

- Providing monthly reports to TAG, the Muni Board of Directors, and other interested parties and stakeholders
- Providing quarterly reports to the grant administrator (the SWRCB or DWR, as defined by the grant agreement).

TAG is responsible for project reporting that includes:

- Providing monthly reports to their governing boards and other interested parties and stakeholders
- Providing monthly reports to Muni

PROJECT DELIVERABLES INCLUDE:

- Conduct two public meetings/hearings
- Draft IRGWM Plan
- Final IRGWM Plan
- Prepare a groundwater monitoring plan
- Quarterly reports and presentations by agency representatives to governing bodies and SAWPA.
- Quarterly Coordinate and reports to the San Jacinto River Watershed Council and Western
- Quarterly progress reports to the grant administrator as required

EXHIBIT B - PROJECT SCHEDULE

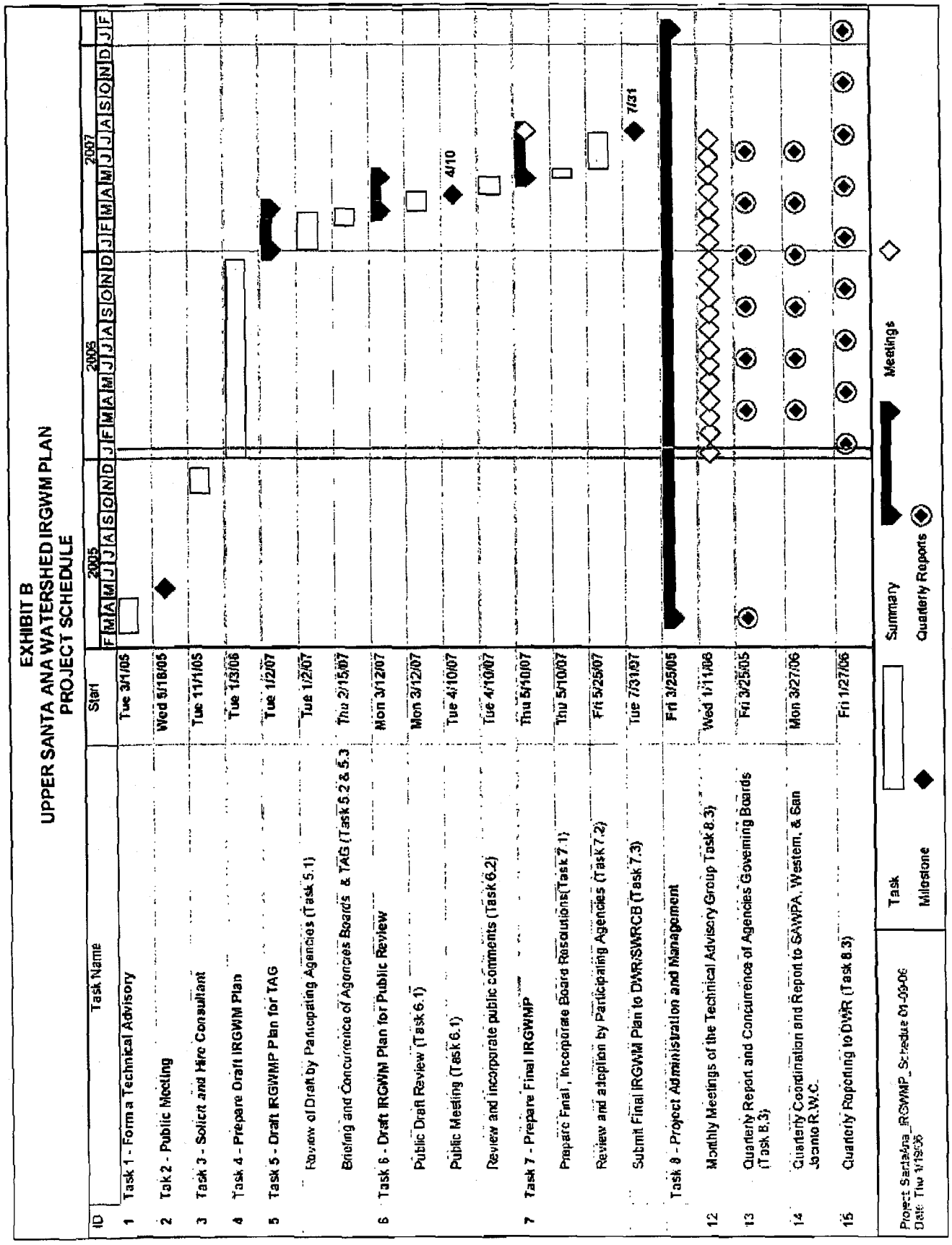

Exhibit C
Upper Santa Ana River Basin - IRWMP
Budget

Task Number/Name	Consultant													In-Kind Services					
	Managing Executive Engineer	Senior Principal Engineer	Principal Engineer/ Geologist	Senior Engineer/ Geologist	Associate Engineer	Engineer/ Geologist	GIS	CADD	AA & Clerical	TOTAL LABOR HOURS	TOTAL LABOR COSTS	OTHER DIRECT COSTS	TOTAL PROJECT COSTS	TOTAL LABOR HOURS	TOTAL LABOR COSTS	In-Kind PROJECT COSTS	TOTAL PROJECT COSTS	District Funded Costs	Grant Funded Costs
	Grade 9	Grade 8	Grade 7	Grade 5	Grade 4	Grade 3	Grade 3												
	$210	$190	$170	$125	$105	395	$95	$85	$70										
Task 1 - Form Regional Water Management Group	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	100	$8,000	$8,000	$8,000	$8,000	$0
1.1 Form RWMG	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	100	$8,000	$8,000	$8,000	$8,000	$0
1.2	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	0	$0	$0	$0		$0
Task 2 - Public Involvement Process and Meetings	0	164	60	0	0	0	0	0	24	248	$43,040	$7,600	$50,640	725	$65,000	$65,000	$115,640	$69,800	$45,840
2.1 Initial Public Meeting	0	8	8	0	0	0	0	0	16	32	$4,000	$800	$4,800	90	$8,500	$8,500	$13,300	$13,300	$0
2.2 Develop Stakeholder List and Involvement Plan	0	40	4	0	0	0	0	0	8	52	$8,840	$0	$8,840	50	$4,500	$4,500	$13,340	$4,500	$8,840
2.3 Public Meeting on Draft IRWMP	0	16	8	0	0	0	0	0	0	24	$4,400	$800	$5,200	50	$4,500	$4,500	$9,700	$4,500	$5,200
2.4 Monthly Regional Water Management Group Meetings	0	80	40	0	0	0	0	0	0	120	$22,000	$6,000	$28,000	300	$27,000	$27,000	$55,000	$27,000	$28,000
2.5 Association Meetings	0	20	0	0	0	0	0	0	0	20	$3,800	$0	$3,800	95	$8,500	$8,500	$12,300	$8,500	$3,800
2.6 Governing Board Meetings	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	140	$12,000	$12,000	$12,000	$12,000	$0
Task 3 - Solicit and Hire Consultant	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	48	$8,400	$8,400	$8,400	$8,400	$0
3.1 Select Consultant to Prepare IRWMP	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	48	$4,400	$4,400	$4,400	$4,400	$0
3.2 Select Consultant to Complete IRWMP	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	0	$0	$0	$0	$0	$0
Task 4 - Consultant Prepares Draft IRWMP	0	224	547	700	320	1080	220	0	101	2740	$387,220	$3,815	$392,350	40	$4,000	$4,000	$396,350	$142,150	$254,200
4.1 Refine and Enhance Planning Objectives for IRWMP	0	16	60	0	0	0	0	0	8	84	$13,800	$0	$13,800	40	$4,000	$4,000	$17,800	$17,800	$0
4.2 Develop Water Budget	0	8	100	0	0	400	80	0	8	596	$64,680	$0	$64,680	0	$0	$0	$32,000	$32,000	$0
4.3 Develop Integrated Management Strategies for Region	0	40	80	160	240	0	20	0	8	548	$68,860	$0	$68,860	0	$0	$0	$68,860	$0	$68,860
4.4 Develop IRWMP Implementation Component and Financial Plan	0	40	0	160	0	0	20	0	8	228	$30,060	$0	$30,060	0	$0	$0	$30,060	$0	$30,060
4.5 Determine Impacts and Benefits	0	24	0	160	80	0	20	0	8	292	$35,420	$0	$35,420	0	$0	$0	$35,420	$0	$35,420
4.6 Develop Groundwater Monitoring Program	0	8	160	0	0	400	40	0	8	616	$71,080	$1,500	$72,580	0	$0	$0	$72,580	$0	$72,580
4.7 Develop Data Management Methods	0	8	120	0	0	200	40	0	8	376	$45,280	$2,000	$47,280	0	$0	$0	$47,280	$0	$47,280
4.8 Prepare Hydrologic Characterization Report		0	2	20	0	35	0		0	57	$6,165	$315	$6,480	0	$0	$0	$6,480	$6,480	$0
4.9 Develop Basin Management Objectives		80	25	200	0	45	0		45	395	$51,875	$1,315	$53,190	0	$0	$0	$53,190	$53,190	$0
Task 5 - Draft IRWMP for RWMG	0	40	56	0	80	40	40	0	40	296	$35,920	$2,800	$38,720	230	$23,000	$23,000	$61,720	$23,000	$38,720
5.1 Prepare and Review Draft IRWMP by Participating Agencies	0	8	40	0	80	40	40	0	40	248	$27,120	$2,000	$29,120	160	$16,000	$16,000	$45,120	$16,000	$29,120
5.2 Briefing and Concurrence of Participating Agencies' Boards	0	16	8	0	0	0	0	0	0	24	$4,400	$0	$4,400	50	$5,000	$5,000	$9,400	$5,000	$4,400
5.3 Regional Water Management Group Review and Approval of IRW	0	16	8	0	0	0	0	0	0	24	$4,400	$800	$5,200	10	$1,000	$1,000	$6,200	$1,000	$5,200
5.4 Approval of IRWMP by RWMG for Public Release of IRWMP	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	10	$1,000	$1,000	$1,000	$1,000	$0
Task 6 - Draft IRWMP for Public Review	0	8	16	0	24	12	40	0	24	124	$13,360	$2,000	$15,360	40	$4,000	$4,000	$19,360	$4,000	$15,360
6.1 Prepare Public Draft of IRWMP	0	8	16	0	24	12	40	0	24	124	$13,360	$2,000	$15,360	0	$0	$0	$15,360	$0	$15,360
6.3 Review and Incorporate Public Comments into IRWMP	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	40	$4,000	$4,000	$4,000	$4,000	$0
Task 7 - Prepare Final IRWMP	0	24	16	24	40	12	40	0	88	244	$25,880	$5,800	$31,380	40	$4,000	$4,000	$35,380	$4,000	$31,380
7.1 Consultant Prepare Final IRWMP	0	16	16	0	40	12	40	0	40	164	$17,700	$5,000	$22,700	0	$0	$0	$22,700	$0	$22,700
7.2 Adoption of IRWMP by Participating Agencies Governing Boards	0	8	0	12	0	0	0	0	0	20	$3,020	$0	$3,020	40	$4,000	$4,000	$7,020	$4,000	$3,020
7.3 Final IRWMP submitted to DWR/SWRCB	0	0	0	12	0	0	0	0	8	20	$2,060	$800	$2,860	0	$0	$0	$2,860	$0	$2,860
7.4 Prepare hard and soft copies of IRWMP	0	0	0	0	0	0	0	0	40	40	$2,800	$0	$2,800	0	$0	$0	$2,800	$0	$2,800
Task 8 - Project Administration and Management	0	136	0	0	0	0	0	0	56	192	$29,760	$0	$29,760	1040	$99,000	$99,000	$128,760	$16,720	$113,040
8.1 Contract Administration	0	16	0	0	0	0	0	0	16	32	$4,160	$0	$4,160	80	$6,000	$6,000	$10,160	$6,000	$4,160
8.2 Project Management	0	80	0	0	0	0	0	0	40	120	$18,000	$0	$18,000	660	$63,000	$63,000	$81,000	$4,720	$76,280
8.3 Project Reporting	0	40	0	0	0	0	0	0	0	40	$7,600	$0	$7,600	300	$30,000	$30,000	$37,600	$5,000	$32,600
TOTALS Total Hours	0	596	695	724	464	1144	340	0	333	3844				2263					
Total Cost Total Costs	$0	$113,240	$118,150	$90,500	$48,720	$108,680	$32,300	$0	$23,310		$534,900	$22,915	$558,230		$215,400	$215,400	$773,630	$275,070	$498,560

EXHIBIT C - PROJECT BUDGET

EXHIBIT D
STANDARD CONDITIONS

D.1 ACCOUNTING AND DEPOSIT OF GRANT DISBURSEMENT:

a) **SEPARATE ACCOUNTING OF GRANT DISBURSEMENT AND INTEREST RECORDS:** Grantee shall account for the money disbursed pursuant to this Grant Agreement separately from all other Grantee funds. Grantee shall maintain audit and accounting procedures that are in accordance with generally accepted accounting principles and practices, consistently applied. Grantee shall keep complete and accurate records of all receipts, disbursements, and interest earned on expenditures of such funds. Grantee shall require its contractors or subcontractors to maintain books, records, and other documents pertinent to their work in accordance with generally accepted accounting principles and practices. Records are subject to inspection by State at any and all reasonable times.

b) **FISCAL MANAGEMENT SYSTEMS AND ACCOUNTING STANDARDS:** The Grantee agrees that, at a minimum, its fiscal control and accounting procedures will be sufficient to permit tracing of grant funds to a level of expenditure adequate to establish that such funds have not been used in violation of state law or this Grant Agreement.

c) **REMITTANCE OF UNEXPENDED FUNDS:** Grantee, within a period of sixty (60) calendar days from the final disbursement from State to Grantee of grant funds, shall remit to State any unexpended funds that were disbursed to Grantee under this Grant Agreement and were not needed to pay Eligible Project Costs.

D.2 ACKNOWLEDGEMENT OF CREDIT: Grantee shall include appropriate acknowledgement of credit to the State and to all cost-sharing partners for their support when promoting the Project or using any data and/or information developed under this Grant Agreement.

D.3 AMENDMENT: No amendment or variation of the terms of this Grant Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or agreement not incorporated in the Grant Agreement is binding on any of the parties.

D.4 AMERICANS WITH DISABILITIES ACT: By signing this Grant Agreement, Grantee assures State that it complies with the Americans with Disabilities Act (ADA) of 1990, (42 U.S.C., 12101 *et seq.*), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

D.5 AUDITS: State reserves the right to conduct an audit at any time between the execution of this Grant Agreement and the completion of the Project, with the costs of such audit borne by State. After completion of the Project, State may require Grantee to conduct a final audit, at Grantee's expense, such audit to be conducted by and a report prepared by an independent Certified Public Accountant. Failure or refusal by Grantee to comply with this provision shall be considered a breach of this Grant Agreement, and State may take any action it deems necessary to protect its interests.

Pursuant to Government Code Section 8546.7, the parties shall be subject to the examination and audit of State for a period of three years after final payment under this Grant Agreement with respect of all matters connected with this Grant Agreement, including but not limited to, the cost of administering this Grant Agreement. All records of Grantee or subcontractors shall be preserved for this purpose for at least three (3) years after Project completion.

D.6 BUDGET CONTINGENCY: If the Budget Act of the current year and/or any subsequent years covered under this Grant Agreement does not appropriate sufficient funds for the program, this Grant Agreement shall be of no force and effect. This provision shall be construed as a condition precedent to the obligation of the State to make any payments under this Grant Agreement. In this event, the State shall have no liability to pay any funds whatsoever to Grantee or to furnish any other considerations under this Grant

Agreement and Grantee shall not be obligated to perform any provisions of this Grant Agreement. Nothing in this Grant Agreement shall be construed to provide the Grantee with a right of priority for payment over any other Grantee. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, the State shall have the option to either cancel this Grant Agreement with no liability occurring to the State, or offer a Grant Agreement amendment to Grantee to reflect the reduced amount.

D.7 **CHILD SUPPORT COMPLIANCE ACT:** For any Grant Agreement in excess of $100,000, the contractor acknowledges in accordance with Public Contract Code 7110, that:

a) The contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and

b) The contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

D.8 **COMPETITIVE BIDDING AND PROCUREMENTS:** Grantee shall comply with all applicable laws and regulations regarding securing competitive bids and undertaking competitive negotiations in Grantee's contracts with other entities for acquisition of goods and services and construction of public works with funds provided by State under this Grant Agreement.

D.9 **COMPUTER SOFTWARE:** The Grantee certifies that it has appropriate systems and controls in place to ensure that state funds will not be used in the performance of this Grant Agreement for the acquisition, operation or maintenance of computer software in violation of copyright laws.

D.10 **CONFLICT OF INTEREST**

a) **Current State Employees:** No State officer or employee shall engage in any employment, activity, or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any State agency, unless the employment, activity, or enterprise is required as a condition of regular State employment. No State officer or employee shall contract on his or her own behalf as an independent contractor with any State agency to provide goods or services.

b) **Former State Employee:** For the two-year period from the date he or she left State employment, no former State officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements, or any part of the decision-making process relevant to the contract while employed in any capacity by any State agency. For the twelve-month period from the date he or she left State employment, no former State officer or employee may enter into a contract with any State agency if he or she was employed by that State agency in a policy-making position in the same general subject area as the proposed contract within the twelve-month period prior to his or her leaving State service.

D.11 **DELIVERY OF INFORMATION, REPORTS, AND DATA:** The Grantee agrees to expeditiously provide, during work on the Project and throughout the term of this Grant Agreement, such reports, data, information, and certifications as may be reasonably required by the State.

D.12 **DISBURSEMENTS:** Following the review of each invoice, State will disburse to Grantee the amount approved, subject to the availability of funds through normal State processes. Notwithstanding any other provision of this Grant Agreement, no disbursement shall be required at any time or in any manner which is in violation of, or in conflict with, federal or state laws, rules, or regulations, or which may require any rebates to the federal government, or any loss of tax-free status on state bonds, pursuant to any federal statute or regulation. All money disbursed pursuant to this Grant Agreement shall be deposited, administered, and accounted for pursuant to the provisions of applicable law.

D.13 **DISPUTES:** In the event of an invoice dispute, payment will not be made until the dispute is resolved and a corrected invoice submitted. Failure to use the address exactly as provided may result in return of the

invoice to the Grantee. Payment shall be deemed complete upon deposit of the payment, properly addressed, postage prepaid, in the United States mail.

Any claim that Grantee may have regarding the performance of this Grant Agreement including, but not limited to claims for additional compensation or extension of time, shall be submitted to the Director, Department of Water Resources, within thirty (30) calendar days of Grantee's knowledge of the claim. State and Grantee shall then attempt to negotiate a resolution of such claim and process an amendment to the Grant Agreement to implement the terms of any such resolution.

D.14 DRUG-FREE WORKPLACE CERTIFICATION

Certification of Compliance: By signing this Grant Agreement, Grantee, its contractors or subcontractors hereby certify, under penalty of perjury under the laws of State of California, compliance with the requirements of the Drug-Free Workplace Act of 1990 (Government Code 8350 *et seq.*) and have or will provide a drug-free workplace by taking the following actions:

a) Publish a statement notifying employees, contractors, and subcontractors that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees, contractors, or subcontractors for violations, as required by Government Code Section 8355(a).

b) Establish a Drug-Free Awareness Program, as required by Government Code Section 8355(b) to inform employees, contractors, or subcontractors about all of the following:

   1. The dangers of drug abuse in the workplace,
   2. Grantee's policy of maintaining a drug-free workplace,
   3. Any available counseling, rehabilitation, and employee assistance programs, and
   4. Penalties that may be imposed upon employees, contractors, and subcontractors for drug abuse violations.

c) Provide as required by Government Code Sections 8355(c), that every employee, contractor, and/or subcontractor who works under this Grant Agreement:

   1. Will receive a copy of Grantee's drug-free policy statement, and
   2. Will agree to abide by terms of Grantee's condition of employment, contract or subcontract.

D.15 GOVERNING LAW: This Grant Agreement is governed by and shall be interpreted in accordance with the laws of the State of California.

D.16 INCOME RESTRICTIONS: The Grantee agrees that any refunds, rebates, credits, or other amounts (including any interest thereon) accruing to or received by the Grantee under this Grant Agreement shall be paid by the Grantee to the State, to the extent that they are properly allocable to costs for which the Grantee has been reimbursed by the State under this Grant Agreement.

D.17 INDEPENDENT CAPACITY: Grantee, and the agents and employees of Grantee, if any, in the performance of the Grant Agreement, shall act in an independent capacity and not as officers, employees, or agents of the State.

D.18 INSPECTIONS: State shall have the right to inspect the work being performed at any and all reasonable times during the term of the Grant Agreement. This right shall extend to any subagreements, and Grantee shall include provisions ensuring such access in all its contracts or subcontracts entered into pursuant to its Grant Agreement with State. Grantee acknowledges that the Project work site will be reportable under the Public Records Act. State shall have the right to inspect the Grantee's office at any and all reasonable times after completion of the project to ensure compliance with the terms and conditions of this Grant Agreement. During regular office hours, State shall have the right to inspect and to make copies of any books, records, or reports of the Grantee relating to this Grant Agreement. Grantee shall maintain and shall make available at all times for such inspection accurate records of its costs, disbursements, and receipts with respect to its activities under this Grant Agreement. Failure or refusal by Grantee to comply with this provision shall be considered a breach of this Grant Agreement, and State may withhold disbursements to Grantee or take any other action it deems necessary to protect its interests.

D.19 **NO THIRD PARTY RIGHTS:** The parties to this Grant Agreement do not intend to create rights in, or grant remedies to, any third party as a beneficiary of this Grant Agreement, or of any duty, covenant, obligation or undertaking established herein.

D.20 **NONDISCRIMINATION:** During the performance of this Grant Agreement, Grantee and its contractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Grantee and contractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Grantee and contractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a-f) *et seq.*) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 *et seq.*). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Grant Agreement by reference and made a part hereof as if set forth in full. Grantee and its contractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. Grantee shall include the nondiscrimination and compliance provisions of this clause in all contracts to perform work under the Grant Agreement.

D.21 **PERMITS, LICENSES, APPROVALS, AND LEGAL OBLIGATIONS.** Grantee shall be responsible for obtaining any and all permits, licenses, and approvals required for performing its obligations under this Grant Agreement. Grantee shall comply with the California Environmental Quality Act (California Public Resources Code Section 21000 *et seq.*) and other applicable federal, State and local laws, rules, and regulations, guidelines, and requirements prior to disbursement of funds under this Grant Agreement.

Without limiting the foregoing, Grantee shall keep informed of and take all measures necessary to ensure compliance with California Labor Code requirements, including but not limited to Section 1720 *et seq.* of the California Labor Code regarding public works.

D.22 **REMEDIES, COSTS, AND ATTORNEY FEES:** The Grantee agrees that any remedy provided in this Grant Agreement is in addition to and not in derogation of any other legal or equitable remedy available to the State as a result of breach of this Grant Agreement by the Grantee, whether such breach occurs before or after completion of the Project, and exercise of any remedy provided by this Grant Agreement by the State shall not preclude the State from pursuing any legal remedy or right which would otherwise be available. In the event of litigation between the parties hereto arising from this Grant Agreement, it is agreed that the prevailing party shall be entitled to such reasonable costs and/or attorney fees as may be ordered by the court entertaining such litigation.

D.23 **RETENTION:** Notwithstanding any other provision of this Grant Agreement, the State may retain up to ten percent (10%) of the grant amount specified in this Grant Agreement until completion of the Project and is accepted by the State.

D.24 **RIGHTS IN DATA:** The Grantee agrees that all data, plans, drawings, specifications, reports, computer programs, operating manuals, notes, and other written or graphic work produced in the performance of this Grant Agreement shall be in the public domain. The Grantee may disclose, disseminate and use in whole or in part, any final form data and information received, collected, and developed under this Grant Agreement, subject to appropriate acknowledgement of credit to the State for financial support. The Grantee shall not utilize the materials for any profit-making venture or sell or grant rights to a third party who intends to do so.

D.25 **SEVERABILITY of UNENFORCEABLE PROVISION:** If any provision of this Grant Agreement is held invalid or unenforceable by a court of final jurisdiction, all other provisions of this Grant Agreement shall be construed to remain fully valid, enforceable, and binding on the parties.

D.26 **STATE REVIEWS AND INDEMNIFICATION:** The parties agree that review or approval of Project applications, documents, permits, plans and specifications or other Project information by the State is for administrative purposes only and does not relieve the Grantee of its responsibility to properly plan, design,

construct, operate, maintain, implement, or otherwise carry out the Project. To the extent permitted by law, the Grantee agrees to indemnify, defend and hold harmless the State and the State against any loss or liability arising out of any claim or action brought against the State from and against any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from, or in any way connected with:

a) The Project or the conditions, occupancy, use, possession, conduct or management of, work done in or about, or the planning, design, acquisition, installation or construction, of the Project or any part thereof;

b) The carrying out of any of the transactions contemplated by this Grant Agreement or any related document;

c) Any violation of any applicable law, rule or regulation, any environmental law (including, without limitation, the Federal Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the California Hazardous Substance Account Act, the Federal Water Pollution Control Act, the Clean Air Act, the California Hazardous Waste Control Law and California Water Code Section 13304, and any successors to said laws), rule or regulation or the release of any toxic substance on or near the System; or

d) Any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements required to be stated therein, in light of the circumstances under which they were made, not misleading with respect to any information provided by the Grantee for use in any disclosure document utilized in connection with any of the transactions contemplated by this Grant Agreement.

To the fullest extent permitted by law, the Grantee agrees to pay and discharge any judgment or award entered or made against the State with respect to any such claim or action, and any settlement, compromise or other voluntary resolution. The provisions of this section shall survive the term of the Grant Agreement.

D.27 **SUCCESSORS AND ASSIGNS:** This Grant Agreement and all of its provisions shall apply to and bind the successors and assigns of the parties. No assignment or transfer of this Grant Agreement or any part thereof, rights hereunder, or interest herein by the Grantee shall be valid unless and until it is approved by State and made subject to such reasonable terms and conditions as State may impose.

D.28 **TERMINATION, IMMEDIATE REPAYMENT, INTEREST:** This Grant Agreement may be terminated by written notice at any time prior to completion of the Project, at the option of the State, upon violation by the Grantee of any material provision after such violation has been called to the attention of the Grantee and after failure of the Grantee to bring itself into compliance with the provisions of this Grant Agreement within a reasonable time as established by the State. In the event of such termination, the Grantee agrees, upon demand, to immediately repay to the State an amount equal to the amount of grant funds disbursed to the Grantee prior to such termination. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the Grantee to the date of full repayment by the Grantee.

D.29 **TIMELINESS:** Time is of the essence in this Grant Agreement.

D.30 **TRAVEL:** Travel includes the costs of transportation, subsistence, and other associated costs incurred by personnel during the term of this Grant Agreement. Travel will be reimbursed at or below the rate allowed for unrepresented State employees, Exhibit G, Travel and Per Diem Expenses. For the purpose of computing such expenses, Grantee's designated headquarters shall be: 1350 South E Street, San Bernardino, CA 92408. No travel outside the State of California shall be reimbursed unless prior written authorization is obtained from the State.

D.31 **WAIVER OF RIGHTS:** Any waiver by either party of rights arising in connection with the Grant Agreement shall not be deemed to be a waiver with respect to any other rights or matters, and such provisions shall continue in full force and effect.

D.32 WITHHOLDING OF GRANT DISBURSEMENTS: The State may withhold all or any portion of the grant funds provided for by this Grant Agreement in the event that the Grantee has materially violated, or threatens to materially violate, any term, provision, condition, or commitment of this Grant Agreement; or the Grantee fails to maintain reasonable progress toward completion of the Project.

EXHIBIT E
PROGRESS REPORT FORMAT

Grantee shall use the following outline as a template for Progress Reports.

E.1 Executive Summary

Provide a brief summary of the items contained in the body of the report.

E.2 Report Status

a) Describe work performed during the Quarter:

b) Describe major accomplishments, such as:

   i) Tasks completed

   ii) Milestones met

   iii) Meetings held or attended

   iv) Press release, etc.

c) Discuss any issues or concerns that may affect the schedule or budget and include recommendations on how to correct the matter(s).

d) Discuss activities planned for the next reporting period

   i) A description of work to be performed in the next period

   ii) Issues/concerns that may affect the schedule or budget in the future and how the matter(s) will be addressed

E.3 Cost Information

a) Identify costs incurred during the quarter by Grantee and each subcontractor working on the project. Include hours per task worked on during the quarter for above personnel.

b) Discuss how the actual budget is progressing in comparison to the latest budget in Exhibit B, Project Budget.

c) Provide a revised budget, by task, if changed from the latest budget in Exhibit B, Project Budget.

E.4 Schedule Information

a) Provide a project schedule showing actual progress versus planned progress from the latest schedule in Exhibit C, Schedule.

b) Discuss how the actual schedule is progressing in comparison to the latest schedule in Exhibit C, Schedule.

c) Provide a revised schedule, by task, if changed from the latest schedule in Exhibit C, Schedule.

EXHIBIT F - GRANTEE RESOLUTION

RESOLUTION NO. 908

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT TO ACT AS THE LEAD AGECNY ON BEHALF OF THE UPPER SANTA ANA WATER RESOURCES ASSOCITION FOR PURPOSES OF SUBMITTING APPLICATIONS AND ENTERING INTO AN AGREEMENT(S) TO RECEIVE A PLANNING GRANT AND/OR AN IMPLEMENTAITON GRANT PURSUANT TO THE WATER SECURITY, CLEAN DRINKING WATER, COASTAL AND BEACH PROTECTION ACT OF 2002, WATER CODE SECTION 79560 *et seq.*, (PROPOSITION 50).

WHEREAS, the Upper Santa Ana Water Resources Association is an organization made up of water agencies within the boundaries of the San Bernardino Valley Municipal Water District.

WHEREAS, the San Bernardino Valley Municipal Water District is a member of the Upper Santa Ana Water Resources Association.

WHEREAS, the Upper Santa Ana Water Resources Association desires to have the San Bernardino Valley Municipal Water District act as the lead agency for applications to the California Department of Water Resources and State Water Resources Control Board to obtain an Integrated Regional Water Management Planning Grant and an Integrated Regional Water Management Implementation Grant (UPPER SANTA ANA INTEGRATED WATER MANAGEMENT PLAN) pursuant to the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Water Code Section 79560 *et seq.*).

WHEREAS, the Upper Santa Ana Water Resources Association desires to have the San Bernardino Valley Municipal Water District be the lead agency, on behalf of the Upper Santa Ana Water Resources Association, for any grant agreement(s) with the California Department of Water Resources or State Water Resources Control Board.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Bernardino Valley Municipal Water District as follows:

1. That said Board of Directors is willing to be the lead agency, on behalf of the Upper Santa Ana Water Resources Association, for the submission of applications to the California Department of Water Resources and State Water Resources Control Board to obtain an Integrated Regional Water Management Planning Grant and an Integrated Regional Water Management Implementation Grant pursuant to the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Water Code Section 79560 *et seq.*).
2. That said Board of Directors is willing to be the lead agency, on behalf of the Upper Santa Ana Water Resources Association, for the execution of any agreement(s) with the California Department of Water Resources or State Water Resources Control Board to utilize the grant funds.

ENACTED: March 2, 2005

Edward B Kellogg
Vice President

ATTEST:

NOTE from Grantee : Robert Reiter is our General Manager and Chief Engineer. He is the only person that is appointed by the Board and is responsible directly to the Board. Whenever the Board decides to take action it is the General Manager's responsibility to carry out the Board's desires.

EXHIBIT G
TRAVEL AND PER DIEM EXPENSES

G.1 SHORT-TERM PER DIEM EXPENSES

A. In computing reimbursement for continuous short-term travel of more than 24 hours and less than 31 consecutive days, the employee will be reimbursed for actual costs up to the maximum allowed for each meal, incidental, and lodging expense for each complete 24 hours of travel, beginning with the traveler's times of departure and return, as follows:

1. On the first day of travel on a trip of 24 hours or more:

Trip begins at or before 6 a.m.	Breakfast may be claimed on the first day.
Trip begins at or before 11 a.m.	Lunch may be claimed on the first day.
Trip begins at or before 5 p.m.	Dinner may be claimed on the first day.

2. On the fractional day of travel at the end of a trip of more than 24 hours:

Trip ends at or after 8 a.m.	Breakfast may be claimed.
Trip ends at or after 2 p.m.	Lunch may be claimed.
Trip ends at or after 7 p.m.	Dinner may be claimed.

If the fractional day includes an overnight stay, receipted lodging may also be claimed. No meal or lodging expense may be claimed or reimbursed more than once on any given date or during any 24-hour period.

3. Reimbursement shall be for actual expenses, subject to the following maximum rates:

Meals:

Breakfast	$ 6.00	Receipts are not required for regular short-term travel meals
Lunch	$ 10.00	
Dinner	$ 18.00	
Incidentals	$ 6.00	

Lodging:

Statewide	Actual up to $84.00 plus tax

When required to conduct State business and obtain lodging in the counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging to a maximum of $110 plus tax. When required to conduct State business and obtain lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging to a maximum of $140 plus tax.

If lodging receipts are not submitted, reimbursement will be for meals <u>only</u> at the rates and time frames set forth in B.1 below.

B. In computing reimbursement for continuous travel of less than 24 hours, actual expenses, up to the maximums in A.3 above, will be reimbursed for breakfast and/or dinner and/or lodging in accordance with the following time frames:

1. Travel begins at or before 6 a.m. and ends at or after 9 a.m.: Breakfast may be claimed. Travel begins at or before 4 p.m. and ends at or after 7 p.m.: Dinner may be claimed. If the trip of less than 24 hours includes an overnight stay, receipted lodging may be claimed. **No lunch or incidentals may be reimbursed on travel of less than 24 hours.**
2. Employees on short-term travel who stay in commercial lodging establishments or commercial campgrounds will be reimbursed for actual lodging expenses substantiated by a receipt. Employees who stay with friends or relatives, or who do not produce a lodging receipt, will be eligible to claim meals only.

G.2 LONG-TERM TRAVEL AND PER DIEM EXPENSES

A. Employee maintains a separate residence in the headquarters area:

1. Long-term travelers who maintain a permanent residence at their primary headquarters may claim daily long-term lodging up to $24.00 with a receipt, and long-term meals of $24.00 for each period of travel from 12 to 24 hours at the long-term location. For travel of less than 12 hours, the traveler may claim either $24.00 in receipted lodging **or** $24.00 in long-term meals.

B. Employee does not maintain a separate residence in headquarters area:

1. Long-term travelers who do not maintain a permanent residence at their headquarters may claim daily receipted lodging up to $12.00, and long-term meals of $12.00 for each period of travel from 12 to 24 hours at the long-term locations. For travel of less than 12 hours, the travelers may claim either $12.00 in receipted lodging **or** $12.00 in long-term meals.

G.3 MILEAGE REIMBURSEMENT

Reimbursement for personal vehicle mileage is 34 cents per mile. Reimbursement for personal vehicle mileage using a specialized vehicle that has been modified to accommodate disabilities is 37 cents per mile.

G.4 VEHICLE RENTAL

Reimbursement for vehicle rental shall be for actual and necessary costs of such rental and airplane usage shall be allowed at the lowest fare available. Claims for reimbursements shall be allowed upon submittal of the appropriate receipt. Refer to California Code of Regulations, Title 2, Sections 599.627 and 599.628.

Execution Copy

SETTLEMENT AGREEMENT

Relating to the Diversion of Water From the Santa Ana River System

(the "Seven Oaks Accord")

July 21, 2004

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SETTLEMENT AGREEMENT

Relating to the Diversion of Water from the Santa Ana River System

This Settlement Agreement Relating to the Diversion of Water From the Santa Ana River ("**Agreement**") is entered into this 21st day of July, 2004 ("Effective Date") by and among: San Bernardino Valley Municipal Water District ("**Muni**") and Western Municipal Water District of Riverside County ('**Western**") (collectively, Muni and Western are referred to as the "**Applicants**"); the City of Redlands ("**Redlands**"); East Valley Water District ("**East Valley**"); and Bear Valley Mutual Water Company, Lugonia Water Company, North Fork Water Company and Redlands Water Company ("**Bear Valley**"), (collectively, Redlands, East Valley and Bear Valley are referred to as the "**Water Users**"). Each of the parties to this Agreement is referred to herein as a "**Party**" and the parties are collectively referred to herein as the "**Parties**."

Recitals

Applicants have filed with the State Water Resources Control Board ("**SWRCB**") Application Nos. 31165 and 31370 (collectively, the "**Applications**") to appropriate water from the Santa Ana River for direct diversion and/or storage. Water Users have filed protests against the Applications alleging infringement of Water Users' senior water rights and adverse impacts on the environment. The Parties wish to resolve these protests without the need for a lengthy and expensive water rights hearing.

Agreements

1. *Withdrawal of Protests Presently Pending Before the SWRCB.*

   a. *Withdrawal of Protests.* Within twenty business days after the date on which Water Users receive a draft environmental impact report on the Applications for public review, Water Users shall each send to the SWRCB, via certified mail with a copy to Applicants, a letter withdrawing their respective protests against the Applications. Said letters shall be in the form provided in Exhibit A and incorporated herein by reference. Applicants shall provide Water Users with notice of the release of the draft environmental impact report via facsimile transmission upon its release.

   b. *Support for Applications.* Water Users shall, simultaneously with the withdrawal of their respective protests to the Applications, also each send, via certified mail with a copy to Applicants, letters to the SWRCB supporting the issuance of permits to Applicants for the diversion and storage of the full quantities of water from the Santa Ana River identified in the Applications. Such letters shall be in the form provided in Exhibit B and incorporated herein by reference. Water Users shall also, upon written request by Applicants, send similar letters to local, state and federal agencies supporting the issuance of all other permits or regulatory approvals that may be necessary for Applicants to implement their plans to divert water from the Santa Ana River, including seasonal water conservation at Seven Oaks Dam and Reservoir, as reflected in the Applications. A list of all permits/approvals that Applicants presently believe may be required to implement the Applications is included in Exhibit B and incorporated herein by reference. Applicants shall update this list annually if additional permits/approvals become necessary to implement the plans identified in the Applications and Water Users agree not to object to such additional permits/approvals that may be needed to implement the Applications.

c. *Incorporation of Settlement in Applications.* Applicants shall, within twenty business days of the date on which Applicants issue a draft environmental impact report on the Applications for public review, amend the Applications to incorporate the terms of this Agreement therein and request the SWRCB to incorporate the terms of this Agreement in any permits issued to Applicants.

2. *Effect of Agreement.* Paragraphs 3 to 11 of this Agreement shall not take effect unless and until: (i) the Parties complete the review and analysis, if any, that may be required by the terms of the California Environmental Quality Act of the potential physical change in the environment of implementing those provisions and (ii) the SWRCB approves the Applications, in whole or in part, and issues water rights permits to Applicants pursuant thereto. In the event that the SWRCB denies the Applications in their entirety, paragraphs 3 to 11 of this Agreement shall immediately be deemed null and void and no Party shall be bound thereby. In the event that the SWRCB approves the Applications by the issuance of permits which contain terms or provisions that are inconsistent with the terms or provisions of this Agreement, the Parties shall implement the terms or provisions of this Agreement to the extent legally permissible.

3. *Diversions from the Santa Ana River*

a. *Diversions by Water Users.* Subject to the conditions contained in subparagraphs 3(a)(1) to 3(a)(7) below, any rights granted Applicants by the SWRCB to divert water from the Santa Ana River shall be subject to the prior right of Water Users to divert up to the first 88 cfs of the natural flow of the Santa Ana River and Applicants shall not, during the term of this Agreement, object to, nor challenge by way of any administrative proceeding, judicial proceeding or otherwise, Water Users' combined diversion of up to the first 88 cfs of the natural flow of the Santa Ana River, as defined in paragraph 3(a)(7) below. Such diversion may include, without limitation, Water Users' diversion of water at rates sufficient to:

(i) equal the present and future treatment capacity of the Hinckley Treatment Plant or other water treatment plants used to deliver water for municipal and industrial purposes within Water Users' respective service areas, (ii) meet the irrigation demand from agricultural areas within Water Users' respective service areas, and (iii) satisfy other permitted uses of water as described in paragraphs 3(a)(1) and 3(a)(6) below. Nothing in this Agreement shall be interpreted to allow Water Users, under any circumstances, to divert water other than the first 88 cfs of the natural flow of the Santa Ana River.

(1) *"Run of the River" Basis for Diversions.* All diversions by Water Users from the Santa Ana River must be made on a "run of the river" basis (i.e., diversions for immediate delivery for beneficial use without storage of any kind, either above or below ground) for delivery within Water Users' combined service areas, *provided, however,* that Water Users may spread a portion of the natural flow of the Santa Ana River as provided in paragraph [redacted] below and may store a portion of the natural flow of the Santa Ana River as provided in paragraph 3(a)(6) below.

(2) *Natural Flow of the Santa Ana River.* The "natural flow of the Santa Ana River" is defined for purposes of this Agreement as the flow of the Santa Ana River in the Southern California Edison Company power conduit as measured downstream of Seven Oaks Dam, and the river pickup located downstream from Seven Oaks Dam and upstream from the afterbay of Southern California Edison Santa Ana River Powerhouse No. 3, less: (1) any releases from Bear Valley's Lake Account, and/or (2) any releases or spills from Big Bear Municipal Water District's Lake Account, as those accounts are defined in the 1977 judgment in *Big Bear Municipal Water District v. North Fork Water Company et al.* (San

Bernardino County Superior Court No. 165493) dated February 4, 1977, a copy of which is attached hereto as Exhibit C and incorporated herein by reference (the "**1977 Judgment**"). Water Users may divert up to the full 88 cfs using the combination of the Southern California Edison power conduit and the river pickup located downstream from Seven Oaks Dam and upstream from the afterbay of Southern California Edison Santa Ana River Powerhouse No. 3. The facilities described in this subparagraph are depicted in the map attached hereto as Exhibit D and incorporated herein by reference. If Southern California Edison sells or otherwise disposes of the power conduit system, Water User's right to divert the first 88 cfs of the natural flow of the Santa Ana River shall remain unaffected.

(3) *Water Users' Service Areas.* The Water Users' combined service areas are defined more precisely in Exhibit E, which is attached hereto and incorporated herein by reference.

(4) *Water Users' Points of Diversion.* Nothing in this Agreement is intended to prevent the Water Users from diverting water from points of diversion that they each respectively use at present. A list of such points of diversion is attached as Exhibit F and incorporated herein by reference. Water Users agree that Applicants may divert the water that is the subject of the Applications from Water Users' points of diversion, *provided* that Applicants may only divert water from Water Users' points of diversion during those times when there is diversion capacity available at those points of diversion which is excess to the needs of Water Users. Water Users shall execute the necessary documents, if any, to evidence full permission to Applicants to

divert water from Water Users' points of diversion, subject to the above restriction.

(5) *Cooperative Water Project Agreement Credits.* Nothing in this Agreement is to be construed as precluding Water Users from delivering water in a manner that generates Deferred Exchange Water Credits under the terms of the Santa Ana River-Mill Creek Cooperative Water Project Agreement (the "Cooperative Water Project Agreement").

(6) *Permitted Surface Storage.* Nothing in this Agreement shall: (i) preclude Bear Valley from storing water to the extent needed for system surface storage in the Mentone Reservoir at its present location to meet the needs/demands of its shareholders or (ii) preclude Bear Valley's shareholders from storing water in Crafton Reservoir at its present location to meet the needs/demands of its shareholders. Nothing in this Agreement is intended to interfere with Redlands' and East Valley's regulatory storage of potable water above ground prior to delivery of that water to retail or wholesale customers.

(7) *No Rights to Seven Oaks Reservoir.* Nothing in this Agreement shall be construed as granting Water Users any right to water that is conserved at Seven Oaks Reservoir or as granting Water Users any right to store water at Seven Oaks Reservoir; provided, however, Water Users may divert, at the Bear Valley River Pickup, up to 88 cfs of the natural flow of the Santa Ana River that is temporarily detained behind Seven Oaks Dam.

b. *Applicants' Diversion Rights.* Water Users shall not object to Applicants' diversion, pursuant to a permit or license issued by the SWRCB, of all water in the Santa Ana River in excess of the actual combined diversions

of Water Users, which, pursuant to paragraph 3(a) above, shall not exceed 88 cfs. Water Users shall have no claims to or rights in the water diverted by Applicants provided that nothing in this Agreement is to be construed as prohibiting Water Users from participating in programs developed or implemented by Applicants on the same terms and conditions as other water purveyors in the San Bernardino Valley.

4. *Groundwater Spreading Program.* Applicants, after consultation with Water Users, shall develop and manage a groundwater spreading program that is intended to maintain groundwater levels at the wells specified in Exhibit G at relatively constant levels, in spite of the inevitable fluctuations due to hydrologic variation. The groundwater spreading program shall identify target water level ranges in the specified wells and shall be subject to the requirement that such spreading not worsen the problem of high groundwater levels in the Pressure Zone. The determination of whether a particular action will worsen groundwater levels in the Pressure Zone shall be made using the integrated surface and groundwater models used by Applicants in the environmental impact report for the Applications, as those models may be refined in the future.

a. *Development and Implementation of Program.* Applicants shall adopt such an integrated management program within five years of the date on which the SWRCB grants Applicants a permit to divert water from the Santa Ana River. Water Users agree to limit spreading in the San Bernardino Basin Area so as to conform to an annual management plan adopted by Applicants that is consistent with the terms of this Agreement.

b. *Spreading by Water Users.* As part of the groundwater spreading program developed by Applicants, Bear Valley may, in lieu of a portion of its share of the 88 cfs of direct diversions of the natural flow of the Santa Ana River described in paragraph 3(a) above, divert up to a maximum collective total of 9 cfs for spreading at either the South Airport spreading basins and/or at the West Mill Creek spreading grounds. These spreading

grounds are shown on the map depicted in Exhibit H and incorporated herein by reference. The other Water Users, including but not limited to Redlands and East Valley, will also be able to participate in the spreading program by spreading a portion of their respective shares of the natural flows of the Santa Ana River within the 88 cfs limit described in paragraph 3(a) at the locations specified in Exhibit H. The maximum total spreading that may be done by all Water Users, in all locations at any given time, may not exceed a rate of 20 cfs, provided that such spreading shall not worsen high groundwater levels in the Pressure Zone as defined in paragraph 4 above. All spreading by Water Users is intended to be operated on a "put and take" basis with extractions occurring within one year of the date spread and Water Users shall report all spreading to Applicants on an annual basis for inclusion in the Watermaster's report pursuant to the *Western* Judgment identified in paragraph 7(c) below.

5. *Service of Water by Water Users.* In accordance with all applicable provisions of law, Water Users shall only deliver surface water or groundwater:

a. within Water Users' respective Service Areas as identified in Exhibit E, as modified from time to time in accordance with applicable law;

b. on a retail basis in areas outside Water Users' respective Service Areas where a Water User provides such service on a 365 day/year basis; or

c. on a non-retail basis outside Water Users' respective Service Areas and within the San Bernardino Basin Area, *provided that* if a Water User wishes to provide water on a non-retail basis outside its Service Area and within the San Bernardino Basin Area, it shall provide Applicants with at least 30 days' written notice of such proposed non-retail service. If Applicants do not object in writing to such proposed non-retail service within 15 days from the date of the notice, the Water User may proceed with such non-retail service of water. If Applicants object to such

proposed non-retail service, Applicants and the Water User shall promptly meet to consider whether the provision of non-retail water service would reduce or interfere with the diversion of water by Applicants. If the integrated groundwater/surface water model referred to in paragraph 4 above shows that the proposal for non-retail service would not have any impacts on the location, timing, quantity, spreading or other characteristic of Applicants' diversions, then the Water User may implement the proposal. In all other cases, the proposal for non-retail service shall only be implemented with the prior written consent of Applicants, which shall not be unreasonably withheld or unduly delayed.

6. *Banking and Exchanges.*

a. *By Water Users.* Save in cases of emergencies, water diverted by Water Users may only be wheeled, banked, exchanged or transferred, directly or indirectly, in lieu or otherwise in the manner allowed by the Cooperative Water Project Agreement.

b. *By Applicants.* Water Users acknowledge that Applicants intend to bank and/or exchange substantial quantities of native Santa Ana River water for water imported from the State Water Project or other sources of imported or native water pursuant to a comprehensive program for water banking and/or exchanges in the San Bernardino Valley and elsewhere in Southern California that includes, but is not limited to, the groundwater spreading plan described in paragraph 4 above, and that is not inconsistent with the terms of this Agreement.

c. *Pursuant to Applicants' Program.* Water Users acknowledge that Applicants intend to develop a comprehensive program for water banking and/or exchanges in the San Bernardino Valley and elsewhere in Southern California that includes, but is not limited to, the groundwater spreading plan described in paragraph 4 above. Water Users may participate in such

comprehensive water banking/exchange program on the same terms as other water purveyors.

d. *Definition of Emergency.* For purposes of this Agreement, the term "**emergency**" shall be defined as provided in California Code of Regulations, title 14, section 15359.

7. *State Project Water.* Applicants reserve the right to store State Water Project water in Seven Oaks Reservoir, either in conjunction with or separately from, the storage of conserved water from the Santa Ana River system. Water Users will not object to such storage of State Water Project water in Seven Oaks Reservoir to the extent that such storage is not inconsistent with the terms of this Agreement.

8. *Water Subject to Agreement.* This Agreement addresses the Parties' use of raw water (including surface water, non-contaminated groundwater and groundwater treated to remove contaminants) and potable water. Nothing in this Agreement shall be construed to regulate the Parties' use of recycled municipal wastewater.

9. *Relationship to Other Agreements and Judgments.*

a. *Cooperative Water Project Agreement.* Nothing in this Agreement is intended to modify the rights of the Parties under the Cooperative Water Project Agreement.

b. *Agreements Among Water Users.* Nothing in this Agreement is intended to modify the rights of Water Users among themselves.

c. *Judgments.* Nothing in this Agreement is intended to modify the rights of the Parties under the terms of the 1977 Judgment or the judgments in *Orange County Water District v. City of Chino et al.* (Orange County Superior Court, Case No. 117628, April 17, 1969) and *Western Municipal Water District of Riverside County v. East San Bernardino County Water District et al.* (Riverside County Superior Court Case No. 78426, April 17, 1969).

10. *No Admissions*. Nothing in this Agreement shall be construed as an admission by any Party regarding any subject matter of this Agreement, including but not limited to the water rights of the Parties. The Parties agree that Evidence Code sections 1152 and 1154 render this Agreement inadmissible as evidence against any of the Parties in any adjudicative proceeding, except a proceeding to enforce or interpret the terms or conditions of this Agreement and/or the terms or conditions of a permit or permits issued to Applicants by the SWRCB pursuant to the Applications. In particular, nothing in this Agreement shall be construed as an admission by Applicants relating to the priority, nature, quantity or other characteristic of the water rights claimed by Water Users or a waiver of any contentions by Applicants relating to Water Users' claimed water rights.

11. *Preservation of Rights*. The Parties agree that this Agreement is in settlement of water right disputes and preserves all rights of the Parties as they may exist as of the Effective Date of this Agreement. Nothing in this Agreement is to be construed as altering the priorities or entitlements of Water Users among themselves to water from the Santa Ana River.

12. *Administration of Agreement*

    a. *Recordation of Agreement*. Applicants shall, within ten days of the Effective Date of this Agreement, cause this Agreement to be recorded in the Official Records of the County of San Bernardino. Applicants shall provide Water Users with recorded copies of this Agreement promptly upon the receipt of such copies from the County of San Bernardino.

    b. *Books and Records*. Each Party shall have access to and the right to examine any of the other Party's pertinent books, documents, papers or other records (including, without limitation, records contained on electronic media) relating to the performance of that Party's obligations pursuant to this Agreement. The Parties shall each retain all such books, documents, papers or other records to facilitate such review. Access to

each Party's books and records shall be during normal business hours only. Nothing in this paragraph shall be construed to operate as a waiver of any applicable privileges.

c. *Disputes*. The Parties recognize that there may be disputes regarding the obligations of the Parties or the interpretation of this Agreement. The Parties agree that they may attempt to resolve disputes as follows:

(1) *Statement Describing Alleged Violation of Agreement.* A Party or Parties alleging a violation of this Agreement (the "**Initiating Party(ies)**") shall provide a written statement describing all facts that it believes constitute a violation of this Agreement to the Party(ies) alleged to have violated the terms of this Agreement (the "**Responding Party(ies)**").

(2) *Response to Statement of Alleged Violation.* The Responding Party(ies) shall have sixty days from the date of the written statement to prepare a written response to the allegation of a violation of this Agreement and serve that response on the Initiating Party(ies) or to cure the alleged violation to the reasonable satisfaction of the Initiating Party(ies). The Initiating Party(ies) and the Responding Party(ies) shall then meet within thirty days of the date of the response to attempt to resolve the dispute amicably.

(3) *Mediation of Dispute.* If the Initiating Party(ies) and the Responding Party(ies) cannot resolve the dispute within ninety days of the date of the written response, they shall engage a mediator, experienced in water-related disputes, to attempt to resolve the dispute. Each Party shall ensure that it is represented at the mediation by a Director or Trustee. These representatives of the Initiating Party(ies) and the Responding Party(ies) may consult

with staff and/or technical consultants during the mediation and such staff and/or technical consultants may be present during the mediation. The costs of the mediator shall be divided evenly between the Initiating Party(ies) and the Responding Party(ies).

(4) *Reservation of Rights.* Nothing in this paragraph 12 shall require a Party to comply with the dispute resolution process contained herein and each Party retains and may exercise at any time all legal and equitable rights and remedies it may have to enforce the terms of this Agreement; provided, that prior to commencing litigation, a Party shall provide at least five calendar days' written notice of its intent to sue to all Parties.

13. *Implementation of Agreement.* This Agreement shall become effective upon its approval by Muni, Western, Redlands, Bear Valley Mutual Water Company, and East Valley. Other Parties identified above shall have 90 days from the Effective Date to execute this Agreement.

14. *Environmental Impact Report.* Applicants shall include thresholds of significance and mitigation measures in substantially the form set forth in Exhibit I in their environmental impact report for the Applications.

15. *General Provisions.*

a. *Authority.* Each signatory of this Agreement represents that s/he is authorized to execute this Agreement on behalf of the Party for which s/he signs. Each Party represents that it has legal authority to enter into this Agreement and to perform all obligations under this Agreement.

b. *Amendment.* This Agreement may be amended or modified only by a written instrument executed by each of the Parties to this Agreement.

c. *Jurisdiction and Venue.* This Agreement shall be governed by and construed in accordance with the laws of the State of California, except for

its conflicts of law rules. Any suit, action, or proceeding brought under the scope of this Agreement shall be brought and maintained to the extent allowed by law in the County of San Bernardino, California.

d. *Headings*. The paragraph headings used in this Agreement are intended for convenience only and shall not be used in interpreting this Agreement or in determining any of the rights or obligations of the Parties to this Agreement.

e. *Construction and Interpretation*. This Agreement has been arrived at through negotiations and each Party has had a full and fair opportunity to revise the terms of this Agreement. As a result, the normal rule of construction that any ambiguities are to be resolved against the drafting Party shall not apply in the construction or interpretation of this Agreement.

f. *Entire Agreement*. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement and supersedes any prior oral or written agreement, understanding, or representation relating to the subject matter of this Agreement.

g. *Partial Invalidity*. If, after the date of execution of this Agreement, any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable. However, in lieu thereof, there shall be added a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

h. *Successors and Assigns*. This Agreement shall be binding on and inure to the benefit of the successors and assigns of the respective Parties to this Agreement. No Party may assign its interests in or obligations under this

Agreement without the written consent of the other Parties, which consent shall not be unreasonably withheld or delayed.

i. *Waivers.* Waiver of any breach or default hereunder shall not constitute a continuing waiver or a waiver of any subsequent breach either of the same or of another provision of this Agreement and forbearance to enforce one or more of the remedies provided in this Agreement shall not be deemed to be a waiver of that remedy.

j. *Attorneys' Fees and Costs.* The prevailing Party in any litigation or other action to enforce or interpret this Agreement shall be entitled to reasonable attorneys' fees, expert witnesses' fees, costs of suit, and other and necessary disbursements in addition to any other relief deemed appropriate by a court of competent jurisdiction.

k. *Necessary Actions.* Each Party agrees to execute and deliver additional documents and instruments and to take any additional actions as may be reasonably required to carry out the purposes of this Agreement.

l. *Compliance with Law.* In performing their respective obligations under this Agreement, the Parties shall comply with and conform to all applicable laws, rules, regulations and ordinances.

m. *Third Party Beneficiaries.* This Agreement shall not create any right or interest in any non-Party or in any member of the public as a third party beneficiary.

n. *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

o. *Notices.* All notices, requests, demands or other communications required or permitted under this Agreement shall be in writing unless provided otherwise in this Agreement and shall be deemed to have been duly given

and received on: (i) the date of service if served personally or served by facsimile transmission on the Party to whom notice is to be given at the address(es) provided below, (ii) on the first day after mailing, if mailed by Federal Express, U.S. Express Mail, or other similar overnight courier service, postage prepaid, and addressed as provided below, or (iii) on the third day after mailing if mailed to the Party to whom notice is to be given by first class mail, registered or certified, postage prepaid, addressed as follows:

BEAR VALLEY MUTUAL WATER COMPANY:

Bear Valley Mutual Water Company
101 E. Olive Avenue
Redlands, CA 92373
(909) 793-4901
(909) 793-7073 (FAX)
Attn: General Manager

CITY OF REDLANDS:

City of Redlands
35 Cajon Street
Redlands, CA 92373
(909) 798-7533
(909) 798-7535 (FAX)
Attn: Municipal Utilities Director

EAST VALLEY WATER DISTRICT:

East Valley Water District
1155 Del Rosa Avenue
P.O. Box 3427
San Bernardino, CA 92413
(909) 885-4900
(909) 889-5732 (FAX)
Attn: General Manager

LUGONIA WATER COMPANY:

Lugonia Water Company
101 E. Olive Avenue
Redlands, CA 92373
(909) 793-4901
(909) 793-7073 (FAX)
Attn: General Manager

NORTH FORK WATER COMPANY

North Fork Water Company
1155 Del Rosa Avenue
P.O. Box 3427
San Bernardino, CA 92413
(909) 885-4900
(909) 889-5732 (FAX)
Attn: General Manager

REDLANDS WATER COMPANY

Redlands Water Company
101 E. Olive Avenue
Redlands, CA 92373
(909) 793-4901
(909) 793-7073 (FAX)
Attn: General Manager

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT:

San Bernardino Valley Municipal Water District
1350 S. "E" Street (92408-2725)
P. O. Box 5906 (92412-5906)
San Bernardino, CA
(909) 387-9222
(909) 387-9247 (FAX)
Attn: General Manager

WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY:

Western Municipal Water District of Riverside County
450 Alessandro Boulevard
Riverside, CA 92508
(909) 789-5000
(909).780-3837 (FAX)
Attn: General Manager

BEAR VALLEY MUTUAL WATER COMPANY

By: _____
Robert A. Hinze
President, Board of Directors

Attest:

By: _____
Charlotte L. Van Eck
Secretary

CITY OF REDLANDS

By: _____
Susan Peppler
Mayor

Attest:

By: _____
Lorrie Poyzer
City Clerk

EAST VALLEY WATER DISTRICT

By: _____
George E. (Skip) Wilson
President, Board of Directors

LUGONIA WATER COMPANY

By: _____
David B. Knight
President

Attest:

By: _____
Charlotte Van Eck
Secretary

NORTH FORK WATER COMPANY

By: _____
Arnold Wright
President, Board of Directors

REDLANDS WATER COMPANY

By: _____
Joseph P. Buoyo
President, Board of Directors

Attest:

By: _____
Charlotte L. Van Eck
Secretary

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: _____
Patrick Milligan
President, Board of Directors

WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY

By: _____
Wayne Holcomb
President, Board of Directors

List of Exhibits

Exhibit	Title
A	Form of Letter to the State Water Resources Control Board From Water Users Withdrawing Water Users' Protests
B	Form of Letter to the State Water Resources Control Board From Water Users Supporting the Issuance of Permits to Applicants (includes list of permits)
C	Judgment in *Big Bear Municipal Water District v. North Fork Water Company et al.* (San Bernardino Superior Court, No. 165493, February 4, 1977).
D	Map of Santa Ana River Facilities
E	Water Users' Service Areas
F	Water Users' Points of Diversion
G	SBBA Index Wells
H	Map of Water Users' Spreading Grounds
I	Thresholds of Significance and Mitigation Measures to be Included in Applicants' EIR

EXHIBIT A

Arthur G. Baggett, Jr.
Chairman
State Water Resources Control Board
1101 I Street
Sacramento, California 95814

Re: Withdrawal of Protest by _____
Application Nos. 31165 and 31370
Santa Ana River, San Bernardino County

Dear Chairman Baggett:

_____ ("Protestant") has filed protests against Application Nos. 31165 and 31370 which have been filed with the State Water Resources Control Board (the "SWRCB") by San Bernardino Valley Municipal Water District and Western Municipal Water District of Riverside County ("Applicants"). Protestant and Applicants have now approved a settlement agreement that resolves all of the matters that were the subjects of Protestant's objections to Application Nos. 31165 and 31370. Protestant, accordingly, hereby withdraws its protests to Application Nos. 31165 and 31370. A copy of that executed settlement agreement is enclosed with this letter.

Please feel free to call if you or your staff have questions regarding this withdrawal of protests.

Very truly yours,

EXHIBIT B

Arthur G. Baggett, Jr.
Chairman
State Water Resources Control Board
1101 I Street
Sacramento, California 95814

Re: Letter of Support by _____
Application Nos. 31165 and 31370
Santa Ana River, San Bernardino County

Dear Chairman Baggett:

_____ ("Protestant") has filed protests against Application Nos. 31165 and 31370 (collectively, the "Applications") which have been filed with the State Water Resources Control Board ("SWRCB") by San Bernardino Valley Municipal Water District and Western Municipal Water District of Riverside County (collectively, "Applicants"). Protestant and Applicants have now approved and executed a settlement agreement that resolves all of the matters that were the subjects of Protestant's objections to the Applications.

Protestant hereby supports the SWRCB's issuance of permits to Applicants for the diversion and storage of the full quantities of water from the Santa Ana River identified in the Applications. Protestant also supports the issuance of all other permits or other regulatory approvals that may be necessary for Applicants to implement their plans to divert water from the Santa Ana Rive, including seasonal water conservation at Seven Oaks Dam and Reservoir, as reflected in the Applications.

Please feel free to call if you or your staff have questions regarding this letter in support of the Applications.

Very truly yours,

Permits Potentially Required for Water Conservation at Seven Oaks Dam

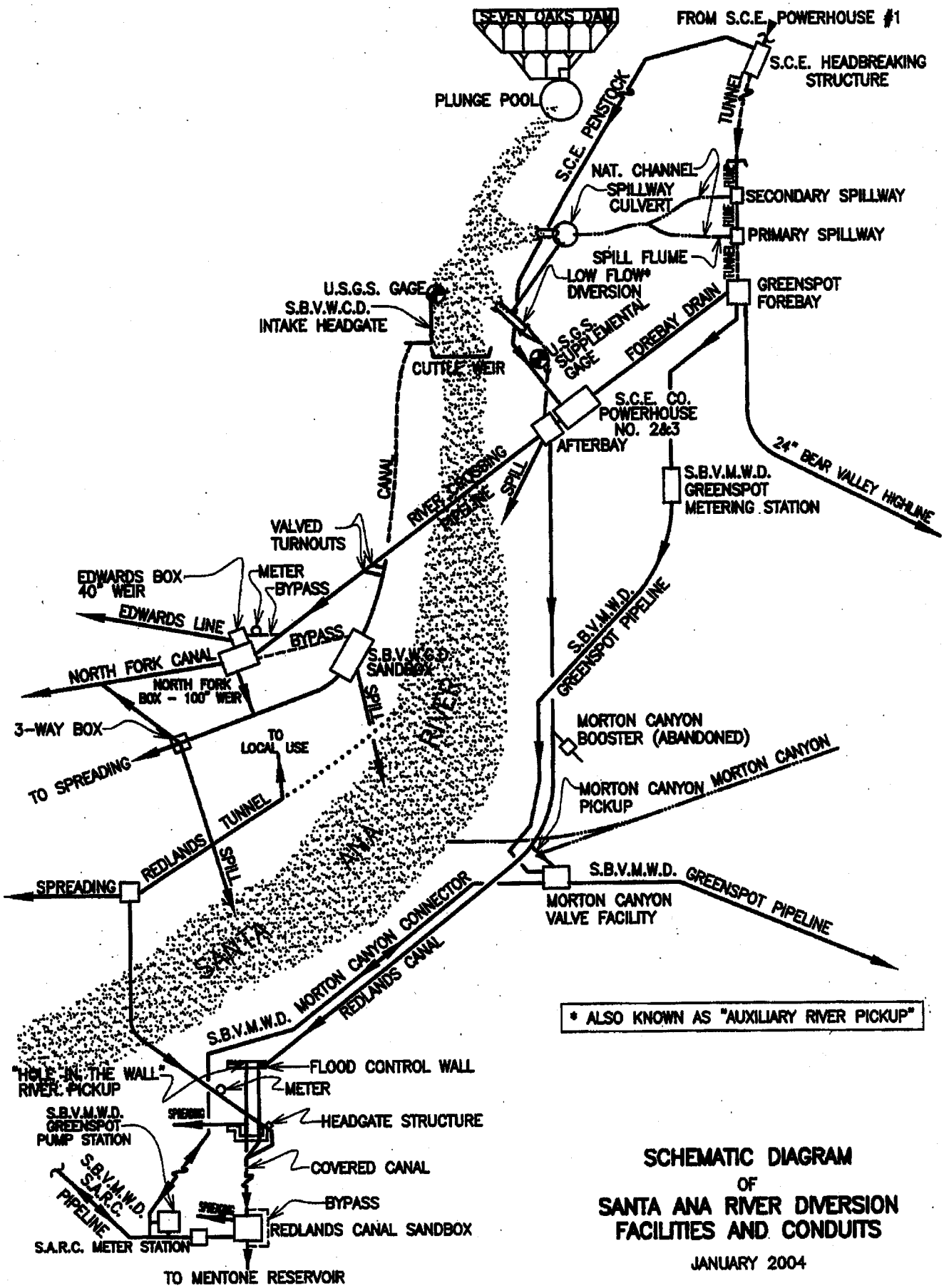
The following is a list of permits that may, depending upon site-specific circumstances, be required in order for the Applicants to implement their plans for seasonal water conservation at Seven Oaks Dam. Applicants will identify necessary permits after the completion of the Final EIR on seasonal water conservation.

Agency	*Permits/Approvals*
U.S. Army Corps of Engineers	• Approval for any physical alterations to Seven Oaks Dam and its operations, including seasonal water conservation • Approval for new pipelines to connect to facilities of Seven Oaks Dam • Permits/approvals per Section 404 of the Clean Water Act (for the discharge of dredged and fill material into waters of the United States) • Permits/approvals per Section 10 of the Rivers and Harbors Act (for construction in waterways) • Compliance with the National Environmental Policy Act (in conjunction with other Federal agencies)
U.S. Fish and Wildlife Service	• Permits/approvals per the Federal Endangered Species Act, Fish & Wildlife Coordination Act, Migratory Bird Treaty Act and similar statutes (including, if needed, incidental take permits)
U.S. Forest Service	• Access agreements/permits for construction within the San Bernardino National Forest and other compliance with applicable Forest Plan(s) • Special use permit for water conservation at Seven Oaks Dam
California State Water Resources Control Board	• Approval of Muni/Western water rights applications 31165 and 31370 • Clean Water Act Section 401 certification for all federal permits
Santa Ana Regional Water Quality Control Board	• Clean Water Act Section 401 certification for water quality/stormwater runoff during construction • National Pollutant Discharge Elimination System (NPDES) permit for ongoing pipeline cleaning and maintenance activities
California Department of Fish and Game	• Section 2081 and other permits per the California Endangered Species Act, the Fully Protected Species Act, the Natural Communities Conservation Program Act, and similar statutes (including, if needed, incidental take permits) • Section 1602 Streambed Alteration Agreement • Compliance with Section 5937 and similar statutes requiring that fish be kept in good condition below a dam or reservoir

Agency	*Permits/Approvals*
State Historic Preservation Officer	• Consultation per Section 106 of the National Historic Preservation Act
South Coast Air Quality Control Board	• Permit to Construct • Approval of the fugitive dust emissions plan
County of San Bernardino	• Road Encroachment and Closure permit • Flood Control Right-of-Way (for construction in the floodplain) • Soil Erosion and Sediment Control Permit
City of Highland	• Grading permits • Road encroachment and closure permits
City of Rialto	• Grading permits • Road encroachment and closure permits
San Bernardino Flood Control District, Orange County Flood Control District, and Riverside County Flood Control and Water Conservation District (Local Sponsors of Seven Oaks Dam)	• Encroachment permits and access agreements • Agreement(s) to implement seasonal water conservation at Seven Oaks Dam
Metropolitan Water District of Southern California	• Encroachment permits and access agreements • Exchange agreement (Attachment 5 to Coordinated Operating Agreement for Conveyance Facilities and State Water Project Supplies)

EXHIBIT C

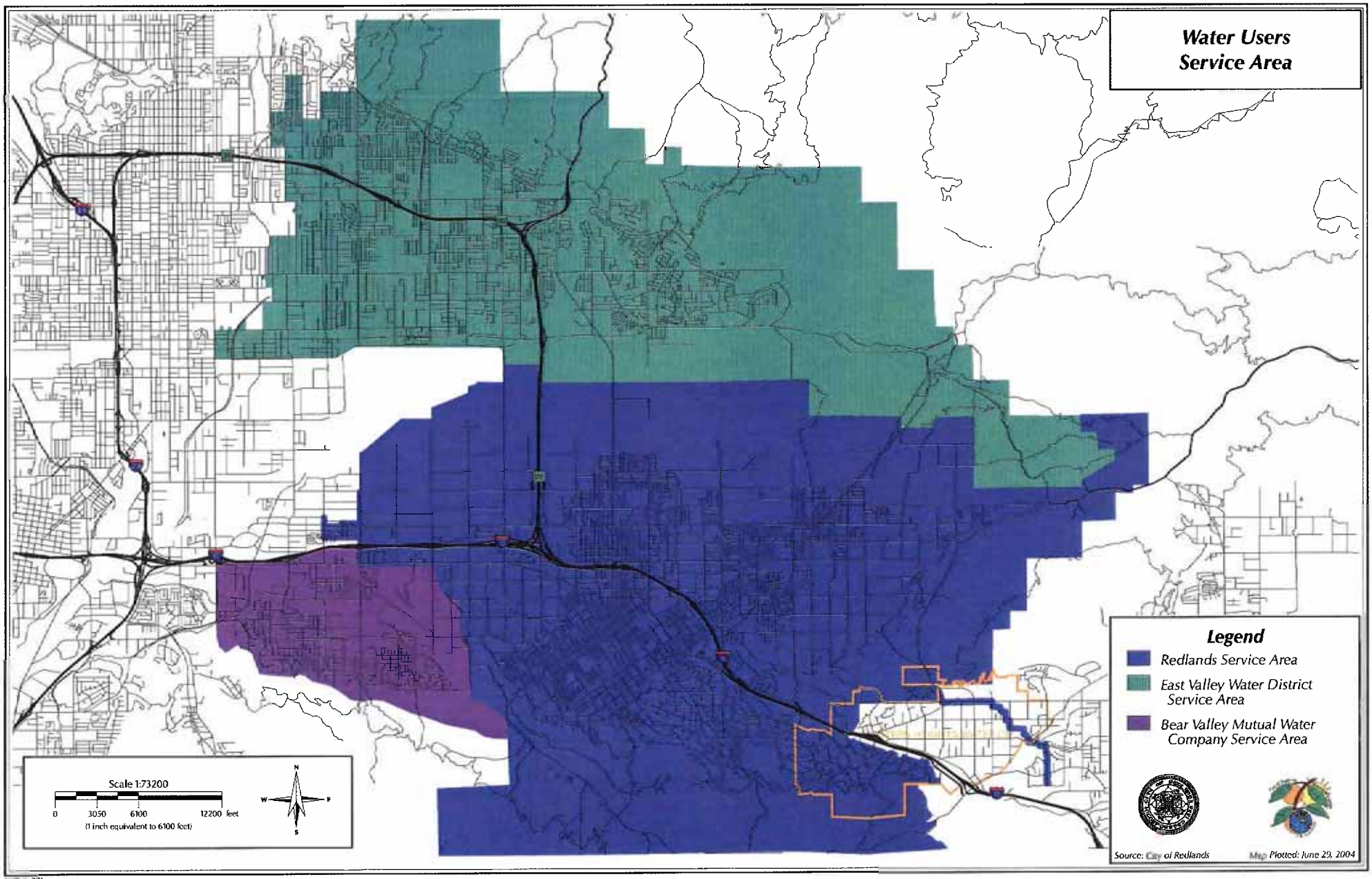
EXHIBIT D



SCHEMATIC DIAGRAM
OF
SANTA ANA RIVER DIVERSION
FACILITIES AND CONDUITS

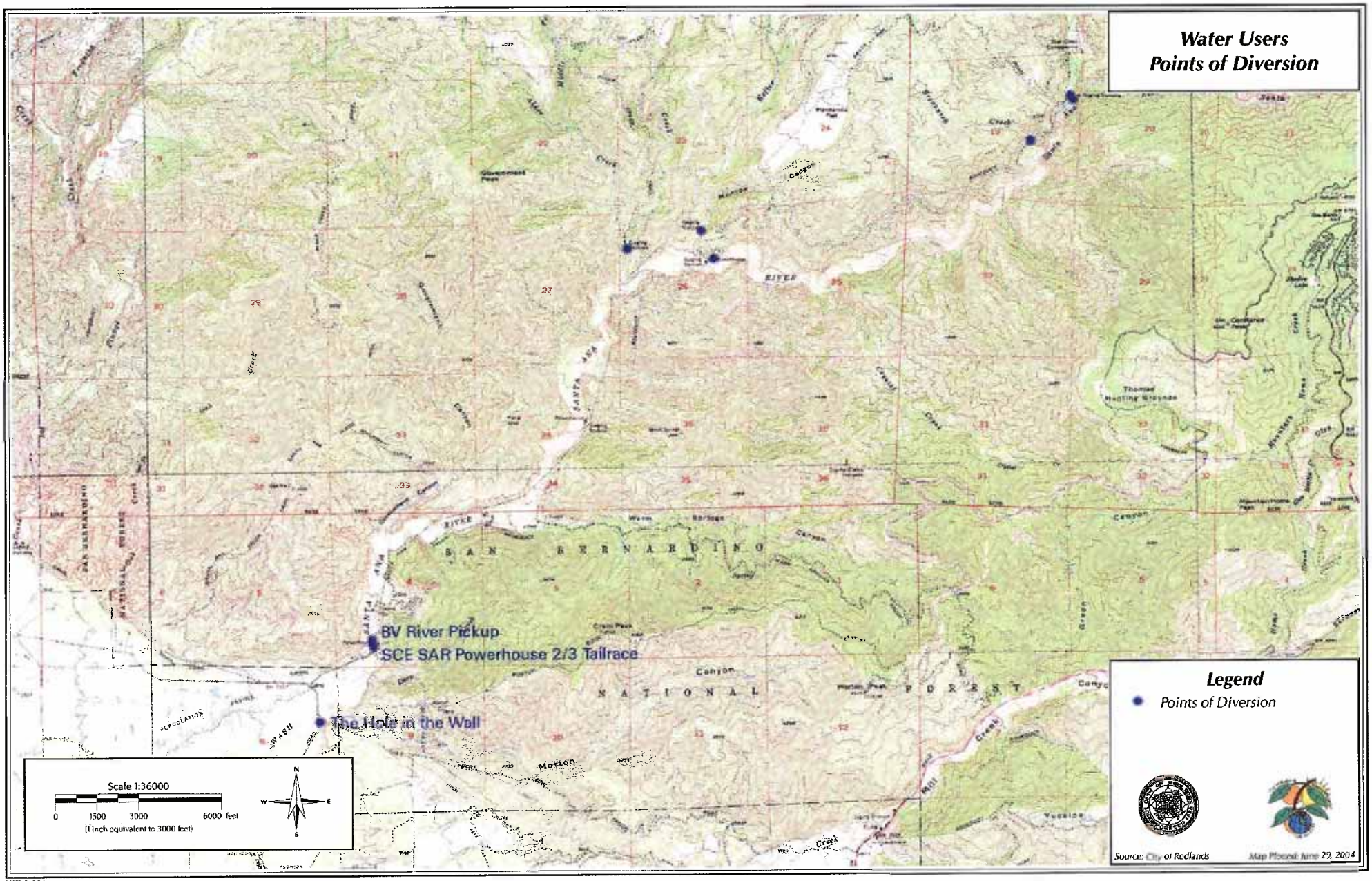
JANUARY 2004

EXHIBIT E


Water Users
Service Area
Legend
Redlands Service Area
East Valley Water District
Service Area
Bear Valley Mutual Water
Company Service Area
Scale 1:73200
0
3050
6100
12200 feet
(1 inch equivalent to 6100 feet)
N
W
E
S
Source: City of Redlands
Map Plotted: June 29, 2004

WZ0L# 374

EXHIBIT F


Water Users
Points of Diversion
BV River Pickup
SCE SAR Powerhouse 2/3 Tailrace
The Hole in the Wall
Scale 1:36000
0 1500 3000 6000 feet
(1 inch equivalent to 3000 feet)
N
W
E
S
Legend
Points of Diversion
Source: City of Redlands
Map Placed: June 29, 2004

W.O.#: 384

EXHIBIT G

SBBA Index Wells

Well No.	State Well Number	Owner	Well Name
1	02N05W19Q01S	City of San Bernardino MWD	Vincent Well
2	01N04W06H02S	City of San Bernardino MWD	Devil Canyon No. 3
3	01N04W08M01S	City of San Bernardino MWD	Devil Canyon No. 1
4	01N05W03H01S	City of San Bernardino MWD	Cajon Well No. 1
5	01N04W31A01S	City of San Bernardino MWD	Mt. Vernon
6	01N05W06G01S	Fontana Union Water Company	Well 27
7	01N05W07H01S	Fontana Union Water Company	Well 26
8	01N05W22A01S	Fontana Union Water Company	Well 13
9	01N05W36H04S	West Valley Water District	Lord 7
10	01N04W26A02S	East Valley Water District	Well 24A
11	01S04W14P02S	City of Riverside	Raub 1
12	01S04W23Q	Gage Canal Company	Lower Kelly
13	01N04W16E03S	City of San Bernardino MWD	Newmark 3
14	01N04W27A02S	City of San Bernardino MWD	Leroy Street Well
15	01S03W04N01S	East Valley Water District	Well 40
16	01S03W15F01S	City of Redlands	Orange Street Well
17	01S03W21H01S	City of Redlands	Well 32
18	01N03W30J01S	East Valley Water District	Well 62
19	01S02W19A01S	City of Redlands	Agate 2
20	01S03W23A03S	Bear Valley Mutual Water Company	Nelson Street
21	01S03W13M01S	City of Redlands	Airport 2
22	01S03W13Q01S	San Bernardino Valley MWD	San Bernardino Ave. Well
23	01S03W02J02S	East Valley Water District	Well 120
24	01S03W03R04S	East Valley Water District	Well 146A
25	01S02W07R01S	East Valley Water District	Observation Well

EXHIBIT H

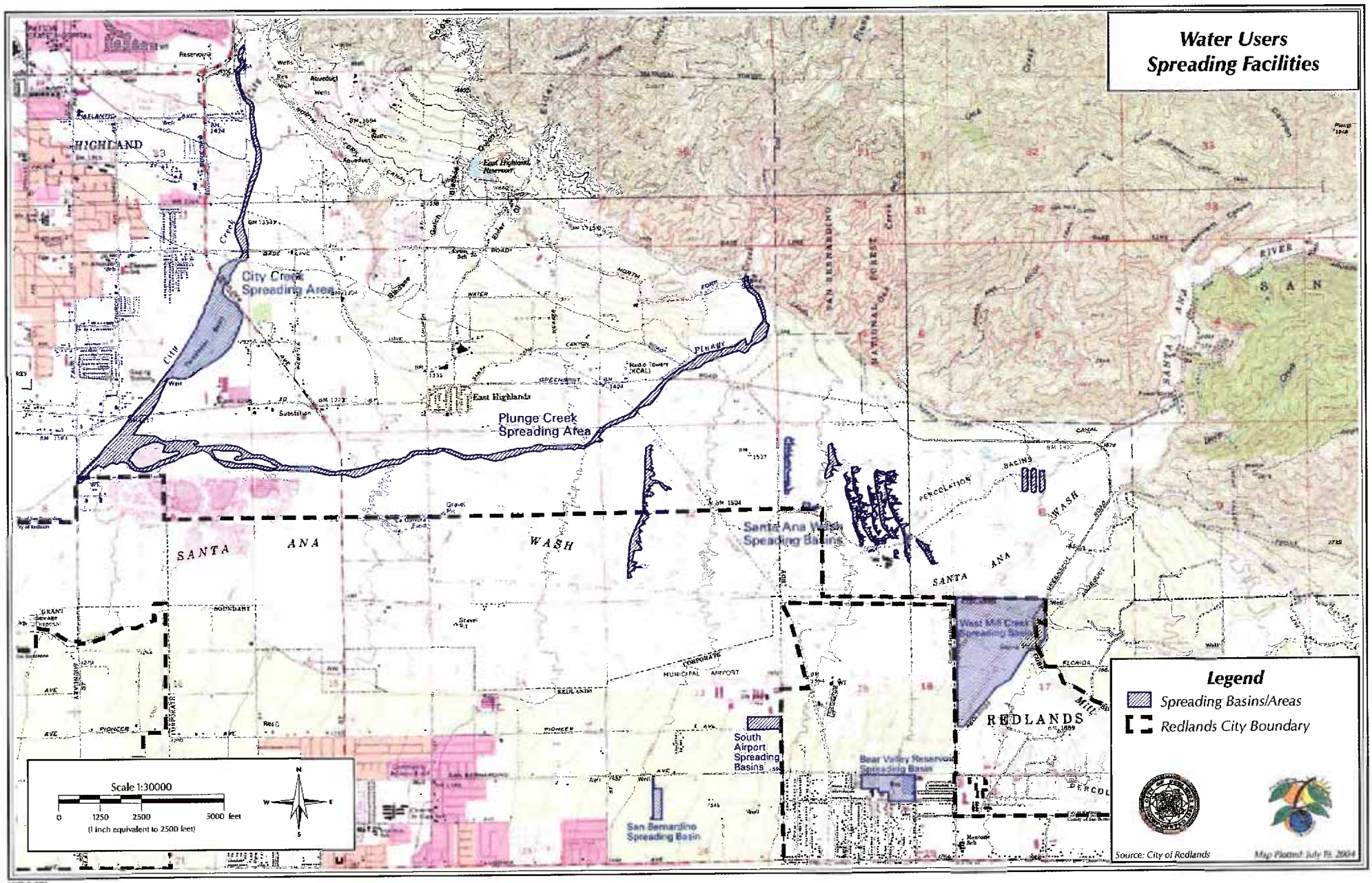

Water Users
Spreading Facilities
City Creek
Spreading Area
Plunge Creek
Spreading Area
Santa Ana Wash
Spreading Basins
West Mill Creek
Spreading Basin
South
Airport
Spreading
Basins
Bear Valley Reservoir
Spreading Basin
San Bernardino
Spreading Basin
HIGHLAND
East Highlands
REDLANDS
SANTA ANA WASH
SAN BERNARDINO NATIONAL FOREST
Legend
Spreading Basins/Areas
Redlands City Boundary
Scale 1:30000
0 1250 2500 5000 feet
(1 inch equivalent to 2500 feet)
Source: City of Redlands
Map Plotted July 19, 2004

EXHIBIT I

Thresholds of Significance and Mitigation Measures
To be Included in Applicants' EIR

1. Threshold of Significance: Reduction in Groundwater Levels at Index Wells Outside the Pressure Zone

A reduction in groundwater levels outside the Pressure Zone is significant if the analysis in this EIR, using the integrated surface water and groundwater model developed by the project proponents, predicts that the project would reduce static groundwater levels at one or more index wells, on average, by more than 10 feet during a repetition of the 39-year base period hydrology, as compared to static water levels in the absence of the project.

2. Threshold of Significance: Increase in Groundwater Levels at Index Wells Within the Pressure Zone

An increase in groundwater levels in the Pressure Zone is significant if the analysis in this EIR, using the integrated surface water and groundwater model developed by the project proponents, predicts that the project would increase static groundwater levels at one or more index wells in the Pressure Zone, on average, by more than 10 feet during a repetition of the 39-year base period hydrology, as compared to static water levels in the absence of the project.

3. Mitigation Measure : Targeted Spreading to Maintain Groundwater Levels

To avoid a significant effect on groundwater levels at one or more index wells located outside the Pressure Zone, the project proponents shall spread sufficient water to maintain static groundwater levels at the affected index wells to reduce this project impact to a less-than-significant level.

4. Mitigation Measure : Limitation on Spreading to Prevent High Groundwater Levels.

To avoid a significant effect on groundwater levels in the Pressure Zone, the project proponents shall curtail their spreading or direct other parties engaged in the spreading of water to replenish the San Bernardino Basin to curtail their spreading to reduce this project impact to a less-than-significant level.

June 2004 DRAFT

PROGRAM FOR EFFECTIVE RECHARGE COORDINATION (PERC)

SAN BERNARDINO VALLEY
WATER CONSERVATION DISTRICT

JUNE 2004

June 2004 DRAFT

PROGRAM FOR EFFECTIVE RECHARGE COORDINATION (PERC)

San Bernardino Valley Water Conservation District

DIRECTORS

Cheryl Tubbs, President
Clare Henry Day, Vice-President
Manuel Aranda, Jr.
Melody Henriques-McDonald
Bert Marcum, Jr.
Sterling Woodbury
Arnold Wright

GENERAL MANAGER

Lawrence M. Libeu

Prepared by:

San Bernardino Valley Water Conservation District
1630 West Redlands Boulevard, Suite A
Redlands, CA 92373
(909) 793-2503

With Technical Assistance from:

Todd Engineers, Emeryville, CA

History of Revisions

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PURPOSE AND FUNCTION OF THE PROGRAM FOR EFFECTIVE RECHARGE COORDINATION ("PERC")

The purpose of the PERC is to provide guidelines and procedures for the determination of annual water recharge/operational practices conducted by the San Bernardino Valley Water Conservation District ("District") under the authority of the Water Conservation District Law of 1931. This document is intended to guide the District's current and future activities while ensuring the District continues to operate in an economic, efficient, and environmentally sound manner.

The PERC is intended to provide information useful not only to the District, but to the public and other entities. Therefore, it describes the District's goals, objectives, and policies related to water recharge operation and groundwater management, and covers a variety of topics. These include a brief history of the District and a description of its facilities and general operations in Section 1, an introduction to the Bunker Hill basin and its groundwater-related issues in Section 2, and an introduction to groundwater management in the basin in Section 3. This manual specifies in Section 4 the procedures that will be followed on an annual basis to determine the District's groundwater charge. The PERC will be evaluated and updated as necessary to reflect updated information and conditions.

1. OVERVIEW OF THE DISTRICT

1.1. CURRENT MISSION

"The mission of the San Bernardino Valley Water Conservation District is to ensure recharge of the Bunker Hill Groundwater Basin in an environmentally and economically responsible way, using local native surface water to the maximum extent practicable.

We strive to improve the supply and quality of groundwater, balancing such demands with those of land, mineral, and biological resources."

1.2. HISTORY OF THE DISTRICT

Natural water supply to the San Bernardino Valley is characterized by significant fluctuations in annual flow, with periods of both drought and high flows occurring intermittently. The District and its predecessors have engaged since 1912 in water conservation (groundwater recharge) activities at the upper end of the Santa Ana River wash and on Mill Creek just upstream of the confluence with the Santa Ana River. These areas overlie the Bunker Hill groundwater basin in the San Bernardino valley. The District captures surface water primarily during storm events and channels it to two systems of recharge basins, where it percolates into the groundwater basin for later use by local entities. The District thereby enhances the reliability of local water supply by augmenting groundwater supply through active recharge with surface waters.

In 1931, local citizens voted to create the District as a public agency, under the Water Conservation Act of 1931, to better conserve the waters of the Santa Ana River and to protect against excessive export of the local surface water by downstream agencies. The Water Conservation Act of 1931 provides broad authority for the District to exercise a variety of powers necessary to further its primary goal of conserving water.

The District has historically operated water recharge facilities in two areas: the Santa Ana River and Mill Creek. In 1935, East Lugonia Mutual Water Company transferred to the District its jurisdiction for conserving water from Mill Creek. A similar transfer occurred in 1940 when the property and duties of the Water Conservation Association – primarily concerned with the Santa Ana River – were deeded over to the District.

The District's boundaries (Figure 1) cover more than 50,000 acres, and include the communities of San Bernardino, Loma Linda, Redlands, and Highland, as well as the unincorporated county area of Mentone and various county "islands" within the incorporated cities. The 2000 census data for these cities indicate a population of approximately 340,000 individuals, with an expected growth to approximately 460,000 people by 2020 – a population increase of 35%. The water supply for the city of Riverside is also supplemented by water drawn from the groundwater basin underlying the District.

The amount of water recharged by the District depends on precipitation in the mountains as both rain and snow. Over the period of its history the District has

recharged the groundwater throughout the year, and has put as much as 104,000 acre-feet of native (local) water into the groundwater basin in a single year. In addition to conservation of native water, the District has recharged imported water during dry periods to supplement its recharge with native waters.

1.3. DISTRICT FACILITIES

The District's recharge activities occur within the Wash Area, which was formed by the deposition over time of alluvial materials in what was historically the natural floodplain of the Santa Ana River. The Wash Area encompasses more than 5,000 acres of land and is characterized by well-drained, sandy substrates. The drainage characteristics of the Wash Area facilitate effective water conservation by permitting groundwater recharge at relatively rapid percolation rates. As a result, it has been used traditionally for percolation basins for groundwater recharge, which provides a significant part of the water supply for the local region. The District owns properties, has water conservation easements over others, and has the potential to utilize certain land presently under the control of the U.S. Bureau of Land Management (BLM). Collectively, these land resources total approximately 3,650 acres.

The District and its predecessors have developed facilities in, and diverted water from, Santa Ana River and Mill Creek for more than 90 years. Portions of the canals and percolation basins now used by the District were improved or expanded in the 1930s. Exhibit 3-3 depicts the District's points of diversion, canals, and spreading basins. The District has ownership or other rights to use these canals and spreading basins for groundwater recharge purposes. The major facilities are described below.

1.3.1. Santa Ana River

The District's primary diversion and recharge facilities on the Santa Ana River are the Main Santa Ana River Diversion facility (Main SAR Diversion) at the site of the Cuttle Weir, the Main Santa Ana River Canal (Main SAR Canal), and the Santa Ana River percolation basins in the Wash Area. These facilities have the physical capacity to divert as much as approximately 485 cfs instantaneously. During the period since the Orange County Judgment in 1969, the District has recharged as much as 52,172 acre-feet annually (in 1978) from the Santa Ana River.

The Main SAR Diversion is a reinforced concrete structure on the Santa Ana River less than one-half mile downstream of the Seven Oaks Dam. This facility sits at the edge of the river channel at the site of the old Cuttle Weir, which stretched across the entire river channel before construction of the dam. The facility has six gates that can be independently operated to allow varying amounts of water to be diverted into the District's Main SAR Canal. This facility has a design capacity of 1,000 cfs. However, diversion rates are limited by the capacity of the culvert under Greenspot Road (see below).

Almost immediately downstream of the Main SAR Diversion are two more sources of surface water in the District system, the Tailrace Pipeline and the Northfork pipeline. The Tailrace Pipeline transports water from the afterbay of the Southern California Edison (SCE) Hydroelectric Powerhouse No. 3. The water in the SCE system is diverted at several points on the Santa Ana River and its tributaries upstream of Seven Oaks Dam. The Northfork pipeline also connects into the District system, allowing surface water to be diverted from the East Valley Water District system. The water in the Main SAR Canal passes under Greenspot Road in a reinforced concrete box culvert (tested at 485 cfs) and is measured in the Parshall Flume. The Main SAR Diversion, Main SAR Canal, Greenspot Culvert, and Parshall Flume were all constructed or improved in the early 1930s.

The Main SAR Canal is bifurcated shortly below the Parshall Flume into the North Canal and South Canal. The North Canal runs west along the northern border of the Seven Oaks Dam Pervious Material Borrow Site (Borrow Site) and into the District's recharge area to the west. The North Canal feeds directly into percolation basins 10N, 13, 15N, 17N, and D. Water is passed to those basins not directly connected to the North Canal through a series of overflow culverts and canals.

The South Canal carries water south, along the eastern border of the Borrow Site, for delivery to the Borrow Site. Three percolation basins have been reconstructed in the Borrow Site and are available for spreading. In addition, water can be percolated at the far west end of the Borrow Site. The South Canal and associated bifurcation structures and the three reconstructed percolation basins were all built since 2000, subsequent to excavation of the Borrow Site by the U.S. Army Corps of Engineers (Corps), in an effort to partially replace the recharge capacity lost through that excavation.

The total acreage of the Santa Ana River percolation basins has varied over time. The current acreage is 63.49, including 6.81 acres of reconstructed basins in the Borrow Site but not including approximately 122 additional acres available within the Borrow Site for water storage and incidental recharge.

1.3.2. Mill Creek

The District's primary facilities on Mill Creek are the Mill Creek Intake Structure, the North and South Canals, and the Mill Creek percolation basins. The Mill Creek facilities have the physical capacity to divert as much as 90 cfs instantaneously. During the period since the Orange County Judgment, the District has recharged as much as 19,800 acre-feet annually (in 1993) from Mill Creek.

The Mill Creek Intake Structure lies approximately two miles upstream of the confluence of Mill Creek and the Santa Ana River. The Corps reconstructed the District's Mill Creek diversion structure in the 1980s as part of a flood protection project for the Santa Ana River Main Stem. The Intake Structure is rated at 90 cfs. The facility feeds Mill Creek water into the North and South canals, which convey the water to percolation

basins 12 and 1, respectively. These two basins act as sandboxes, allowing sediment to settle out of the diverted surface water before the water flows via overflow culverts and canals into other percolation basins. The majority of the District's Mill Creek percolation basins were built early in the District's history, with some additional westerly basins constructed in 1997–2000.

In addition to the water diverted from Mill Creek, the District is also able to spread Santa Ana River water in its Mill Creek recharge area. This is accomplished by conveying the water through one or more of three different pipelines. The Greenspot Pipeline conveys water from the Greenspot Forebay (the old SCE Powerhouse No. 3 forebay), and can deliver that water into the District's North Canal. The Bear Valley Highline conveys water from the same forebay, and can deliver the water into Mill Creek upstream of the District diversion facility. The Redlands Aqueduct conveys water from the SCE Powerhouse No. 3 afterbay, and can deliver water to the District's western Mill Creek percolation basins.

The total acreage of the Mill Creek percolation basins has increased over time. The current acreage is 65.50.

1.3.3. Facility Maintenance

The District performs occasional maintenance of its facilities as needed. These facilities fall into six categories, as described below.

Canals

Canals are typically dug into the existing topography and are left with their natural surface. Depending on the canal, the bottom and sides of the canals may develop natural rock armor over time, as the fine material is washed away, or may experience sedimentation. Maintenance activities include clearing encroaching vegetation, removing sediment, and repairing washouts or erosion. Washout and erosion repair is typically accomplished by filling in the eroded area with native material and sometimes with grouted rock. Vegetation control usually occurs annually, and other activities occur infrequently as needed.

Culverts

Typically pipe or box culverts are used to pass water in a canal under a road crossing. Maintenance activities include clearing encroaching vegetation, clearing of debris or sediment in the nearby canal, and repairing damage to the nearby canal or the culvert itself. Repair of the nearby canal is required when the canal sides above or below the culvert erode or wash out, and such repair is typically accomplished by filling in the eroded area with native material and sometimes with grouted rock. Repairing the culvert itself typically requires excavation of the roadway. Vegetation control usually occurs annually, sediment removal every two to three years, and the remaining activities infrequently as needed.

Dikes
Dikes typically comprise native material, from which much of the rock has been removed, formed into a berm 5 to 15 feet high. Native vegetation is left to grow on the slopes of dikes. Water passes from one basin to the next through overflow culverts, typically constructed of corrugated metal pipe with a concrete headwall, that pass through the dikes. Maintenance activities include occasional excavation and compaction of the dike material at the source of leaks, similar work to replace broken overflow culverts, and repair of washouts. Such repairs occur infrequently as needed.

Basins
Basins are typically areas of shallow excavation on the upstream side of dikes, and are where the actual water percolation takes place. Flow of water into these basins brings suspended sediment, which is dropped to the basin floor with percolation of the water. Periodic removal of this sediment is required in order for percolation rates to remain efficient. The removal process also tills the basin floor. Maintenance activities include clearing encroaching vegetation and removing sediment. Vegetation control usually occurs annually, and sediment removal occurs every 1–5 years depending on the basin, storm intensity, and other variables.

Diversion Structures
These structures divert water from the Santa Ana River and Mill Creek into the District's facilities system and, once in the system, from canals into basins. The diversion structures typically consist of concrete or cement block, with wooden gates and associated hardware. Maintenance activities include clearing encroaching vegetation, clearing debris or sediment from the nearby canal, repairing the nearby canal, and repairing damage to the structure itself. Repair of the nearby canal is required when the canal sides above, below, or around the diversion structure erode or wash out, and such repair is typically accomplished by filling in the eroded area with native material and sometimes with grouted rock. Vegetation control occurs annually, removal of sediment occurs every two to three years, and all other activities occur infrequently as needed.

Access Roads
Roads are typically 12 to15 feet wide and surfaced with native material such as gravel or compacted soil. Maintenance activities include clearing encroaching vegetation, filling ruts and potholes, grading, resurfacing (with similar materials), and repairing washouts. Vegetation control usually occurs annually, and other activities usually occur every two to three years.

1.4. DISTRICT OPERATIONS

1.4.1. Diversion

Recharge activities conducted by the District and its predecessors have occurred year round and are subject to certain internal and external limiting factors. The primary factors influencing diversion and recharge activities are the water level within the basin

and the availability of water from the Santa Ana River and Mill Creek, both of which have highly variable flows on a daily, seasonal, and annual basis. District recharge operations are also constrained at times by the potential for high groundwater at the west end of the basin. Because of the tilted nature of the groundwater aquifer, which slopes downward from east to west, and the barrier that the San Jacinto fault presents to groundwater flow west of San Bernardino, groundwater levels may rise unacceptably close to the ground surface under certain conditions, creating the potential for flooding of property and increasing the potential for soil liquefaction during an earthquake. While the potential for high groundwater conditions has been a consideration in the District's operational decisions in the past, specific criteria have not been formulated previously for evaluating potential high groundwater conditions.

Internal factors, while perhaps less important, tend to occur more frequently. These factors include consideration of the sediment load in the water the District is able to divert. While the District's facilities can typically accommodate high sediment loads, it is not unusual for the District to leave the "first flush" of a storm in the river, as early storm flows tend to be laden with excessive sediment and debris. The District is always cognizant of the risk to facilities posed by sediment and debris, but this risk is considered in the context of overall water availability. During periods of water scarcity, the District may divert and recharge water during the first flush of a storm. Recharge management actions are also occasionally constrained by the need to repair facilities.

1.4.2. Percolation

The District's recharge activities are governed by the overall objective of maintaining groundwater at optimal levels throughout the Bunker Hill Basin. Future operations are expected to improve recharge management to improve the efficiency of recharge. In the Mill Creek facilities, the preference between use of the North and South canals for spreading Mill Creek water is based largely on the current condition of the "sandbox" basins 12 and 1. Otherwise, water is recharged where there is available room in percolation basins.

1.4.3. Monitoring

The District conducts extensive groundwater-level and streamflow monitoring to assist with its overall recharge operations. The District takes monthly readings on eight monitoring wells in and near its recharge areas – four near the Santa Ana River recharge area and four near the Mill Creek recharge area. The District also receives groundwater-level readings from the owners of numerous other wells in the Bunker Hill Groundwater Basin. These groundwater levels, as well as information on production and recharge, are compiled into an annual engineering investigation and report.

The District collaborates with other stakeholders in the groundwater basin to share and evaluate monitoring data. This occurs through such organizations as the Upper Santa Ana Water Resources Association and such collaborative projects as the High Groundwater Mitigation Project and the Drought Mitigation Project.

In 2003, the California Department of Water Resources (DWR) awarded the District a $230,000 grant under Assembly Bill 303 (Local Groundwater Assistance Act of 2000) to support the installation of two 400-foot-deep groundwater monitoring wells in the Santa Ana River and Mill Creek forebays, with the planning and design phase to begin in early 2004. In addition, ten new monitoring wells were completed through the High Groundwater Mitigation Project, in which the District is a participant.

Water-level data from new wells are collected at the time of well installation and are, or will be, collected on a continuing basis as part of the groundwater monitoring program conducted by the District. These data will fill important gaps in the current groundwater-monitoring network, and will assist the District in more fully understanding the effects of recharge on groundwater levels. This information will be shared with all the stakeholders in the basin and will assist the District in managing its limited water resources.

2. BUNKER HILL GROUNDWATER BASIN

The District's recharge operations are conducted in a distinct groundwater basin in the San Bernardino Valley commonly referred to as the "Bunker Hill basin." This basin is generally defined by bedrock (San Bernardino Mountains) to the northeast, the Crafton Hills to the south, and the San Jacinto fault (acting as an effective barrier to groundwater movement) to the southwest. Figure 5 delineates the Bunker Hill basin, including various geologic faults. Hydrologic sub-areas of the Bunker Hill basin have been identified, and are also shown in Figure 5.

2.1. GROUNDWATER LEVELS

A significant challenge to water managers in the San Bernardino Valley is to balance groundwater levels in different parts of the Bunker Hill Basin. The subsurface aquifer slopes from the east, where the District's percolation basins are located, downward to the west, and water migrates in that direction. An important water management issue is maintenance of groundwater levels at adequate depths below ground surface in the pressure zone located within the City of San Bernardino and immediately upstream of the San Jacinto fault, which forms the western boundary of the basin. Historically, the water table intersected ground surface in this area, causing groundwater to rise above ground surface in low-lying areas.

A century ago, the south side of San Bernardino contained lakes and ponds (Sahagun 1985). Numerous early irrigation wells were artesian and flowed freely at ground surface (Lippincott 1902, Mendenhall 1905). Mapping performed in 1915 by Hyde Forbes, a prominent California civil engineer, based on measurements of some 70 wells in a 16-square-mile area east of Sterling Avenue in the city of San Bernardino, showed a large area of groundwater within 10 feet of ground surface (Forbes 1915). This is illustrated in Figure 6. Shaded areas indicate depth to groundwater based on United States Geological Survey ("USGS") topographic maps. Note the large area of groundwater within ten feet of ground surface and the relation of shallow groundwater areas to City Creek, Warm Creek, and the Santa Ana River drainages.

Groundwater pumping and drought lowered the water table for several decades until the end of the 1960s, during which time the land had become occupied by commercial and residential development. Above-average rainfall and increased natural and artificial recharge of groundwater then led groundwater levels to rise again. By 1979, the groundwater was alleged to have entered the basements of certain buildings in this area. Figure 7 shows the minimum depth to groundwater during the 1973-1983 period. Note the shaded area, which indicates groundwater levels less than ten feet below ground surface, encompasses a major portion of the city area east of the San Jacinto Fault. Because Warm Creek and the Santa Ana River act as groundwater drains, the shallow groundwater extends upgradient in the vicinity of these channels.

The high groundwater problem was alleviated by the drought beginning in 1986 and extending into the 1990s. Recharge of groundwater (both natural and artificial) was

greatly reduced while pumping for an ever-growing population increased, causing the water table in San Bernardino to decline, and thereby reducing the flooding problem considerably in recent years.

Complicating the flooding problem is the potential for liquefaction of the recent alluvium in the event of a major earthquake. A comprehensive study by the USGS (Matti and Carson 1991) revealed that a major seismic event on any nearby fault – San Andreas, San Jacinto, or Cucamonga – could cause extensive damage to structures and transportation arteries with a water table close to ground surface. The phenomenon is well understood and stems from the fact that the vibration caused by an earthquake can disturb the particle framework in cohesionless granular soils, such as loose sandy sediment, leading to increased compaction. If the sediment is saturated, water in the pore spaces resists this compaction and exerts pore pressure that reduces the intergranular particle stress. This can cause the sediment to lose its strength and change from a solid state to a liquid state, thereby resulting in ground failure at or near the surface. Such liquefaction usually occurs at depths of less than 50 feet, with most susceptible conditions at depths shallower than 30 feet.

Much of the high-groundwater condition in the western part of the basin evolves as a matter of timing. During years of near-normal or below-normal rainfall, pumping of groundwater, particularly in the urbanized central and western portions of the basin, equals or exceeds total recharge from all sources. However, in wet years, and especially a series of such years, increased precipitation rates result in high volumes of natural recharge. At the same time, basin recharge rates tend to increase because of the availability of above-average streamflow. Historical evidence illustrates these circumstances occurred in the 1938-1948 and 1979-1984 periods. Figure 8 depicts precipitation at two gages that reflects runoff in the upper reaches of the Santa Ana River. One gage is at Big Bear Lake in the mountains and the other gage is at a lower elevation at Seven Oaks Dam.

Notwithstanding the potential for high groundwater, natural recharge is already being limited by urbanization, which makes the continuation of artificial recharge crucial to maintaining the groundwater supply. The solution to the high groundwater problem depends on what can be done to manage water levels in the city area in a timely manner so as to ensure that groundwater can be kept at a safe depth below ground surface. Two basic solutions to the high-groundwater problem are to increase output from the basin or to limit input to the basin. These approaches are discussed in more detail in Section 3.2.2 and Section 3.2.3, respectively.

2.2. SOURCES OF GROUNDWATER RECHARGE

Groundwater recharge within the basin comes from both natural and artificial recharge. The District's recharge basins are located adjacent to the Santa Ana River and Mill Creek, and maps of the water table show that groundwater recharged from the two streams and the District basins flows from this northeasterly portion of the basin toward

the zone of high groundwater in the San Bernardino city area. This inflow represents one component of a system of radially converging groundwater from natural and artificial recharge areas such as Lytle and Cajon creeks to the northwest, Waterman Canyon Creek to the north, and City and Plunge creeks to the northeast (Exhibit 5.2-5). Together, these sources contribute water that merges to create the high groundwater conditions that have occurred at times within the city of San Bernardino. The restriction posed by the San Jacinto fault impedes groundwater flow, causing it to accumulate, rise toward the ground surface, and spill over the fault zone. Direct rainfall recharge is considered insignificant. Approximately 75% of annual precipitation occurs in December through March, with most precipitation occurring in the mountains. Consumptive use exceeds average annual rainfall on the valley floor, so urban development relies heavily on runoff from the surrounding mountains to supply the deficit (Moreland 1972).

The contribution of District artificial recharge to water supply was evaluated through a review of the District's recharge of Santa Ana River and Mill Creek water relative to basin-wide storage and use. The change in total groundwater storage plus basin extractions was used to define total basin recharge, which was then compared to the magnitude of the District's contribution. Annual data for the period 1969–1998 are tabulated in Table 1 and are depicted in Figure 9. Recharge data are from District records. Groundwater pumping data are from Western Municipal Water District and San Bernardino Valley Municipal Water District (2001). Storage change data for 1993–1998 are from annual District Engineering Investigation of Bunker Hill Basin reports, which were first produced in 1993. Storage-change data for 1969–1992 are from San Bernardino Valley Municipal Water District (2002). Note that data listed in Table 1 are annual totals for slightly different time periods, as indicated in the table footnotes. In addition, there are slight differences in Bunker Hill Basin boundaries. However, these data are still representative of the District's contributions toward total groundwater recharge. The composite data reveal a median annual contribution of District artificial recharge to total recharge of 9%, and a mean of 10%.

Total basin recharge is expressed in Table 1 and Figure 9 as the sum of extractions and change in storage. It also represents the sum of artificial and natural recharge. Artificial recharge occurs through recharge basins, defined structures with measured quantities of inflowing water. Natural recharge occurs in stream channels where the wetted areas vary widely with streamflow rate, making it difficult to measure. As a result, the magnitude of natural channel recharge is often underestimated.

Table 2 lists major streams in the Bunker Hill Basin and their estimated maximum channel areas available for recharge (Moreland 1972). In addition, the last column in Table 5.2-4 indicates maximum recharge capacities assuming an average infiltration rate of four feet per day. Streamflows smaller than major flood flows occupy smaller wetted areas, so recharge capacities during non-flood periods are correspondingly less. Furthermore, recharge rates vary with permeability of subsoil, amount of suspended

material transported by flowing water, and availability of storage space underground. The areas listed in Table 5.2-4 total more than 5,000 acres; this contrasts with a maximum wetted area of 129 acres in the District's Santa Ana River and Mill Creek recharge basins, or 3% of that in major stream channels. It is through the District's efficient control of the timing of recharge that an area of 3% provides 10% of the recharge.

2.3. WATER QUALITY

A water management plan must consider water quality as well as water quantity. The water quality of surface waters entering the groundwater basin, as well as the water quality of the groundwater, must be closely monitored and properly managed.

2.3.1. Surface Water

The surface waters entering the Bunker Hill Basin are of excellent quality, with low concentrations of TDS, nitrates, and other pollutants, because the Bunker Hill Basin is the first groundwater basin beneath the San Bernardino Mountains. There is little pollution of the surface waters from upstream activities, although some are possibly affected by urban development in the mountain areas. The majority of the San Bernardino Mountains are within a national forest, which limits the area within which development can take place. In addition, much of the existing development is in another watershed that does not drain toward the Bunker Hill Basin. Urban runoff from the Big Bear area enters Bear Lake, but all sewage is exported to Lucerne Valley. Sewage from Running Springs is released in the Plunge Creek drainage area. Mill Creek receives urban runoff from Forest Falls and Forrest Home and all sewage is disposed to underground facilities tributary to Mill Creek. (San Bernardino Valley Water Conservation District 2004.) Table 3 lists the total dissolved solids ("TDS") and Nitrate levels detected in Mill Creek and Santa Ana River.

2.3.2. Groundwater

Historically, the land overlying the Bunker Hill Basin was used for agriculture; the same area today either continues in agricultural use or has been developed. In developed areas, there is ongoing irrigation of land surface areas in parks, lawns, and other landscaped areas. Because the overlying materials are permeable, the water applied to crops and landscaped areas can readily infiltrate downward and reach the groundwater table, carrying with it pesticides and fertilizers. The transport of fertilizers into the groundwater basin has resulted in large areas in the eastern portion of the Bunker Hill Basin showing high concentrations of nitrates.

Recent studies have shown increases in the general mineral content of the groundwater in the Bunker Hill Basin in several areas. The Santa Ana RWQCB objective is to maintain maximum levels of TDS of 260 milligrams per liter (mg/L) in the Lytle Creek area, 330 mg/L in the eastern portion of the basin, and 310 mg/L in the pressure zone (at the west end of the basin). The TDS of groundwater pumped by municipal wells in

1993 ranged from 130 to 560 mg/L, an average of about 315 mg/L (San Bernardino Valley Water Conservation District 2004).

The importance of groundwater recharge with native Santa Ana River water to the Bunker Hill Groundwater Basin has been documented in the TIN/TDS Groundwater Study (Wildermuth Environmental 2000) conducted on behalf of the SAWPA. The study involved extensive investigation by a task force composed of water and wastewater agencies in the Santa Ana River watershed. The study analyzed groundwater dynamics and quality in the San Bernardino Valley and Yucaipa/Beaumont Plains areas, resulting in the development of spatial boundaries for groundwater management zones and compilation of point statistics at wells that represent ambient conditions for a historical period (1954 to 1973) and the current period (1978 to 1998).

The TIN/TDS study found that, within the Bunker Hill-B Groundwater Basin where the District recharge facilities are located and extending about 10 miles west from the facilities, levels of nitrate-nitrogen, expressed as total inorganic nitrogen (TIN), have improved from an ambient level of 7.3 mg/L in the historical period to a level of 5.5 mg/L in the current period. Similarly, the concentration of TDS has improved from the historical level of 332 mg/L to the current level of 261 mg/L. It is reasonable to conclude that the noted improvements in water quality in this portion of the basin are partially attributable to the District's continued recharge with high-quality Santa Ana River water. In addition to nitrate problems, the groundwater in the basin has six contamination plumes, as described below.

San Bernardino County Dump Plume - This is the smallest of the six identified plumes, and involves trichloroethylene (TCE) and tetrachloroethylene (also called perchloroethylene) (PCE). The plume is located in the northwest corner of the basin and may be emanating from a former county landfill that is no longer in operation.

Muscoy Plume - This plume is near the western edge of the Bunker Hill Basin, adjacent to the San Jacinto fault. This plume involves TCE and PCE and has been added to the EPA Superfund list for cleanup. This plume has become part of the Newmark Plume.

Newmark Plume - This is one of the largest known plumes in the basin, involving TCE and PCE in an area north of San Bernardino. This is listed as an EPA Superfund site for cleanup. The City of San Bernardino has installed wellhead treatment on several wells in a program to clean up this extensive plume, which has now migrated from the forebay/recharge area of the basin into the pressure zone.

Santa Fe Plume - This plume is located in the central San Bernardino area and is being investigated by the RWQCB, with preliminary work having begun for the investigation and cleanup. TCE and PCE are the primary contaminants.

Norton Plume - This plume has undergone extensive cleanup by the Department of Defense Superfund program. This plume is thought to have resulted from the spills of various solvents (including TCE and PCE and possibly other hydrocarbons) and radioactive substances at Norton Air Force Base. This plume is located upgradient of the San Bernardino area in the Bunker Hill Basin and has been observed to be migrating toward the west.

Redlands Plume - This large plume, about seven miles long in 1993, lies in the northern part of Redlands and involves dibromochloropropane (DBCP), "perchlorate," and TCE. In January 1994, the RWQCB named Lockheed as the responsible party to investigate and clean up the TCE. This plume is located upgradient of the San Bernardino area in the Bunker Hill Basin and has been observed to be migrating toward the west.

2.3.3. Well Construction Standards

Well construction standards are desirable to prevent contamination from moving up or down well casings that have been constructed in the groundwater basin. Pursuant to guidelines from the California Department of Water Resources (DWR), the County of San Bernardino has adopted Ordinance 3105, which provides criteria for proper well construction, reconstruction, abandonment, or destruction. The San Bernardino County Department of Environmental Health Services administers this program.

2.3.4. Wellhead Protection Areas

The 1986 federal Safe Drinking Water Act required each state to develop a wellhead protection plan to describe how areas around wells will be protected from potential contamination. A major element of a wellhead protection program is the determination of protection zones around public supply wellheads. Within these zones, potential protection measures could include limitations on land uses to preclude industrial or agricultural uses with the potential to result in spills of chemicals or overuse of fertilizers and other chemicals. The District has been active in helping local water systems assess the current level of wellhead protection for each of their municipal wells, in association with the Drinking Water Source Assessment Program (San Bernardino Valley Water Conservation District 2004). Groundwater recharge areas are also sensitive and critical land areas to be protected, because water and contaminants can move downward to the groundwater within recharge areas.

3. GROUNDWATER BASIN MANAGEMENT

The Bunker Hill basin is home to irrigated agriculture, mining, cities, large industrial sites, and sensitive habitats. Numerous agencies are involved directly in water management, including the cities of Colton, Loma Linda, Redlands, Rialto, Riverside, and San Bernardino and water districts such as San Bernardino Valley Municipal, East Valley, Western Municipal, West San Bernardino County, and Yucaipa Valley. As a result, effective management of the Bunker Hill basin requires inter-agency communication and broad community involvement. The waters of the Santa Ana River are used by a variety of public and private entities for a number of beneficial uses. As a result, water management activities, such as groundwater recharge activities and management practices by the District and others, must be undertaken in a manner that meets these multiple needs, and minimizes harm to the environment. The District has historically pursued groundwater management activities to accommodate these multiple objectives. The recharge guidelines provided in this section of the PERC are designed to further optimize the benefits from the District's groundwater recharge activities, by updating the guidelines and standards for the District's recharge activities.

3.1. EXISTING MANAGEMENT EFFORTS

The District is one of many entities working together to manage groundwater in the Bunker Hill basin. Groundwater management is a collaborative effort through various agreements and judgments. Entities involved include:

- San Bernardino Valley Water Conservation District
- Upper Santa Ana Water Resources Association
- San Bernardino Valley Municipal Water District ("Muni")
- East Valley Water District
- Western Municipal Water District
- West San Bernardino County Water District
- Yucaipa Valley Water District
- Agua Mansa-Meeks and Daley Water Company
- Bear Valley Mutual Water Company
- Riverside-Highland Water Company
- Elsinore Valley Municipal Water District
- Cities of Colton, Loma Linda, Highland, Grand Terrace, Redlands, Rialto, Riverside, and San Bernardino

Basin adjudications provide the basic operating framework for basin management in the Bunker Hill basin. Two Watermasters serve the Bunker Hill basin. The Western-San Bernardino Watermaster, created in 1969 (Case No. 78426), prepares annual reports on groundwater extractions in the Bunker Hill and the downstream Riverside and Colton groundwater basins. The Big Bear Watermaster, established in 1977 (Case No. 165493), prepares annual reports that keep account of Big Bear Lake hydrologic conditions and conditions downstream of the lake in Bear Creek and Santa Ana River.

The District is often considered a neutral third-party as it relates to water, based on its unique position as neither water wholesaler nor retailer, and has been given responsibilities commensurate with that role. For example, the District provides one of three persons who serve as the Big Bear Watermaster. In addition, the District serves as "honest broker" among the ten public and private water agencies of the Santa Ana River-Mill Creek Cooperative Water Project, to facilitate transfers and exchanges of water among the members.

The District's operations contribute toward a more stable and sustainable water supply by maximizing the beneficial use of available native waters, thereby reducing the need for importation of water, and improving the quality of groundwater in the area. The District documents its groundwater management efforts and hydrologic conditions of the Bunker Hill basin in its annual engineering investigation reports (SBVWCD, 1993-2002). These annual reports present groundwater contour maps, well hydrographs, changes in storage, groundwater production, estimates of surface water and groundwater needed to replenish supplies in the coming year, and surface water and groundwater quality. These annual reports have been produced since 1993.

A variety of projects have been developed to promote groundwater management in the basin. These include the Cooperative Water Management Project, the High Groundwater Mitigation Project, the Drinking Water Source Assessment, the Drought Management Recharge Project, and Hydrogeologic Studies to Support Recharge Activities. The District recognizes that these related activities must be taken into account when regional management of groundwater levels is addressed. The projects are briefly discussed below.

Cooperative Water Management Project – The District is the project manager for the Cooperative Water Management Project (sometimes called the "Exchange Plan"), which manages transfers and exchanges of water among ten public and private water agencies. The District has served in this role since 1976 and, as part of its duties, provides a Daily Flow Report that tracks the water in the system.

High Groundwater Mitigation Project – The District is currently participating in a Pilot Dewatering Program ("PDP") to manage high groundwater levels in the vicinity of the City of San Bernardino by increasing well pumping capacity. The groundwater at the west end of the Bunker Hill basin is under pressure (confined), and accordingly the area is called the pressure zone. The purpose of the program is to lower the water table to a minimum of 15 feet below ground surface by pumping a maximum of 25,000 acre feet per year ("AF/yr") from shallow wells (Webb Associates, 1998). It was anticipated initially that this effort would eliminate near-surface flooding and lessen damage and injury during an earthquake.

The effectiveness of PDP pumping has not been determined for several reasons: 1) the total volume of water pumped has only been a fraction of the anticipated amount due to

a number of institutional and operational issues, 2) drought has reduced basin-wide recharge, and 3) other normal pumping has lowered water levels. However, the PDP has been beneficial in identifying the many institutional issues that are involved in the effort to manage high groundwater levels through increased pumping. Future plans for this program include increased pumping and a proposal to lower the water table to 30 feet below ground surface to gather data crucial to the future management of the basin. Additional detail on the PDP is presented in Section 3.2.2.

Drinking Water Source Assessment – The EPA has mandated that sources of drinking water be assessed for vulnerability to contamination. The Drinking Water and Environmental Management Division of the California Department of Health Services (DHS) is the lead agency for developing and implementing the Drinking Water Source Assessment Program in California. The District, in association with the Upper Santa Ana Water Resources Association, contracted with several participating agencies to perform this vulnerability assessment on their wells. The District has conducted source water assessments on more than 260 wells (San Bernardino Valley Water Conservation District 2004).

Drought Management Recharge Project – In 2002, in response to drought conditions, the Upper Santa Ana Water Resources Association (which includes most of the San Bernardino valley water supply agencies) approached Muni and the District for assistance in enhancing basin water supply. After several meetings and workshops Muni, a State water contractor, made State Water Project ("SWP") water available to valley municipal and local water agencies for groundwater replenishment at a greatly reduced price. Muni reduced the price of the water by 50 percent and the District offered $400,000 cost sharing to the water agencies within their boundaries, and made the use of its groundwater recharge facilities available at no cost.

Almost 15,000 acre-feet of SWP water were recharged under this project between September and December 2002. The participating agencies and the District conducted an intensive effort of data collection, much of it on a daily basis. Collected data included rates and volumes of water recharged, location and size of recharge facilities, depth of water in basins, groundwater levels downgradient of the recharge basins, and groundwater production.

Groundwater levels still remained low following this project, and various water agencies in 2003 again asked for assistance from the District in purchasing and recharging SWP water. The District has pledged $240,000 towards cost sharing in the purchase of SWP water, and has again opened its recharge facilities for this use.

Hydrogeologic Studies to Support Recharge Activities – One project, funded by the District, entails installation of several shallow monitoring wells or pits in the Seven Oaks Dam Borrow Site, and the evaluation of data from these wells. Data from this

investigation will help define the capacity of replacement facilities and assess the effects of recharge on local groundwater levels. The project began in fall 2002.

As noted above, the District in 2003 was awarded by DWR a $230,000 grant under Assembly Bill 303 (Local Groundwater Management Assistance Act of 2000). The grant funding is for a hydrogeologic investigation involving the drilling, installation, testing, and sampling of two 400-foot-deep groundwater monitoring wells just downstream of the District's Santa Ana River and Mill Creek recharge facilities. Pumping tests of the wells will provide data on aquifer characteristics that will allow the District to better evaluate the impacts of its recharge operations on groundwater levels and flow. Water quality sampling and analysis, including measurement of the naturally occurring stable isotopes of water (18O/16O and deuterium), will be used to determine the pathway of Santa Ana River recharge water in the groundwater system and will also help document the locally improving groundwater quality. Water level and quality data will fill important gaps in the current monitoring network and will also assist the District in understanding groundwater flow patterns and the effects of recharge. The project includes public education and stakeholder outreach and a final report to be submitted to DWR. This project has been scheduled to begin in early 2004.

At the time of this document's preparation, the U.S. Geological Survey, in coordination with Muni, is preparing a computerized model of the Bunker Hill basin. This model is expected to combine a number of elements: (1) a surface water model of flows in the creeks and rivers flowing in the basin; (2) a groundwater model of the flow and level of surface water; and (3) an "optimization model" comparing costs and benefits of various scenarios to reduce high groundwater levels near downtown San Bernardino. The computer model, when complete, is anticipated to assist public entities to predict the effects of various pumping and recharge activities, and may be an important tool for a basin-wide management plan.

3.2. FUTURE GROUNDWATER BASIN MANAGEMENT

A number of entities and individuals – along with variable precipitation and the increasing population that uses water – currently affect groundwater levels in the groundwater basin, either directly or indirectly. It is beyond the scope of this document to detail the operations of all individuals or entities. However, it should be recognized that the District is only one of a number of participants whose actions (together with factors beyond their individual or collective control) determine the amount of water in the local groundwater basin.

A significant challenge to water managers in the San Bernardino Valley is to balance groundwater levels in different parts of the Bunker Hill Basin. The subsurface aquifer slopes from the east, where the District's percolation basins are located, downward to the west, and water migrates in that direction. An important water management issue is maintenance of groundwater levels at adequate depths below ground surface in the

pressure zone located within the City of San Bernardino and immediately upstream of the San Jacinto fault, which forms the western boundary of the basin. Historically, the water table intersected ground surface in this area, causing groundwater to rise above ground surface in low-lying areas. Groundwater pumping and drought lowered the water table for several decades until the end of the 1960s, during which time the land had become occupied by commercial and residential development. Above-average rainfall and increased natural and artificial recharge of groundwater then led groundwater levels to rise again. By 1979, the groundwater was alleged to have entered the basements of certain buildings in this area. The high-groundwater problem was alleviated by the drought beginning in 1986 and extending into the 1990s. However, concerns over high-groundwater conditions in the San Bernardino area persist because of the associated potential for both flooding and the liquefaction of soils in the event of a major earthquake, which could lead to damage of buildings and infrastructure. A cooperative effort among agencies is needed to balance the need for higher groundwater levels in the east, which are generally achieved through recharge, and the need for lower water levels in the west, which are generally achieved through pumping.

Much of the high-groundwater condition in the western part of the basin evolves as a matter of timing. During years of near-normal or below-normal rainfall, pumping of groundwater, particularly in the urbanized central and western portions of the basin, equals or exceeds total recharge from all sources. However, in wet years, and especially a series of such years, increased precipitation rates result in high volumes of natural recharge. At the same time, basin recharge rates tend to increase because of the availability of above-average streamflow.

One goal of the PERC is to maintain appropriate water levels in the city to prevent flooding and to reduce the potential for damage from liquefaction caused by earthquakes. Thus, there is a need to control downgradient groundwater levels even though upgradient recharge is a highly variable function of annual streamflow. Because the District does not own or operate production wells, its individual contribution to management of high groundwater must be limited to reducing artificial recharge during periods of high groundwater levels and attempting to assist regional, coordinated solutions. Data indicate that the District's recharge contributes only incrementally to the high groundwater problem when considered in the context of all water recharged (contributions depend on the locations of recharge basins in relation to the pressure zone, as well as amounts recharged. Nonetheless, the District has formalized an operating plan to limit, through the PERC, its groundwater recharge during periods of high water levels.

3.2.1. Groundwater Relationships

Groundwater tends to flow from upgradient (i.e., areas to the north and east) to downgradient (i.e., the city area). It follows, therefore, that prediction of downgradient levels can be based in part on study of upgradient levels. With this concept in mind,

historical water levels from three representative groups of three wells each were compared to determine the extent of this relationship and the amount of lag time involved. The data were from the period of 1974 through 2001. The largest groundwater fluctuations occurred in upgradient wells, and depended on total annual recharge. Variations in downgradient well levels were of smaller magnitude. A time lag between upgradient and downgradient water levels of approximately four years was observed. Locations of the wells are shown in Figure 11, while average calendar year maximum water levels for the three groups of wells, expressed as vertical distance below ground surface, are shown in Figure 12.

Note in Figure 12 that average upgradient levels peaked at about only 23 feet below ground surface in 1979, as a result of above-average streamflow and recharge (see Figure 10). This upgradient peak was followed by downgradient wells reaching a critical average level of about only seven feet below ground surface, in 1984. During the subsequent drought the upper wells fell to an average of about 276 feet below ground surface in 1990, followed by the downgradient wells dropping to an average of about 90 feet below ground surface in 1994. Levels in the middle well group demonstrated intermediate responses that confirmed the effects of upgradient recharge.

Based on the observed time lag between upgradient and downgradient water levels of approximately four years, a program for managing District contributions to groundwater levels has been developed that entails:

- Quarterly review of groundwater conditions in the upper, middle, and lower areas;
- Determining whether groundwater levels are approaching critical levels; and
- Ascertaining whether District recharge should continue, stop, or enter a warning period in which groundwater conditions are reviewed and discussions undertaken with water users and other affected parties about cooperative actions that may be taken to address the situation.

3.2.2. Increased Production

Two basic solutions to the high-groundwater problem are to increase output from the basin or to limit input to the basin. The District is neither a wholesaler nor a retailer of water and does not operate any production wells in the basin. Accordingly, the PERC does not include specific actions to increase well production when water levels rise above critical levels in the City of San Bernardino area.

Increased production will likely become an important element of future water management because of population growth and the resulting increase in demand. A recent master plan for its water supply facilities in the basin was commissioned by San Bernardino Valley Municipal Water District (Camp Dresser & McKee 1995), and future municipal demands in 20 to 40 years were estimated to far exceed anticipated reductions in agricultural demands, so much so that 120,000 acre-feet per year of

additional recharged water will be required. It is reasonably foreseeable that basin pumping will increase in the future, and that recharge would need to increase concomitantly.

The proposed Riverside-Corona Feeder pipeline may lead to increased production in the more immediate future. This project would consist of the installation of groundwater production wells and a major feeder pipeline capable of delivering 40,000 acre-feet per year of groundwater from the Bunker Hill Basin to water purveyors served by Western Municipal Water District. The purpose of the project is to reduce dependence on direct delivery of imported water and thereby contribute to the self-sufficiency of the upper Santa Ana River watershed during dry-year conditions. Approximately 20 wells would be installed in the pressure zone, and 28 miles of pipeline would be constructed.

Pumping Effects on Groundwater Levels
A modeling study conducted by the USGS (Hardt and Freckleton 1987) evaluated the effects of recharge and pumping on groundwater levels in the San Bernardino area. Constant supplemental pumping rates from hypothetical wells within the confined zone were built into the model. A pumping rate of 5,000 acre-feet per year (AFY) for three years produced a modeled water-level decline of 7–15 feet in the pressure zone. For an increased pumping rate of 25,000 AFY for three years, the model projected declines of 40– 80 feet in the pressure zone. These results demonstrated that increased pumping could be an effective measure to reduce high groundwater levels.

A more recent field investigation of the increased groundwater pumping concept has also provided useful information for potential future applications. As described above, the PDP, involving several local water agencies, was initiated in 1998 to address high groundwater levels in the San Bernardino city area. The purpose of the program was to lower the water table to a minimum of 15 feet below ground surface by pumping a maximum of 25,000 AF/yr from shallow wells (Webb Associates, 1998). It was anticipated that this effort would eliminate near-surface flooding and lessen damage and injury during an earthquake.

Due to the lack of available water for blending, as of the time of preparation of this document, pumped water is being discharged only downstream near the Mission Street bridge. As noted previously, the effectiveness of PDP pumping has not been determined for several reasons, but the program has been beneficial in identifying the many institutional issues that are involved in an effort to increase pumping to manage high groundwater levels.

3.2.3. Limiting Groundwater Recharge
The second possible method to reduce high groundwater levels involves limiting artificial groundwater recharge. Pertinent to this concept is a study done by the USGS using the computer model referred to above. The study focused on relative contributions that various artificial recharge facilities made to water level rises in the city

area. To evaluate the effects of recharge, the study focused on relative contributions that various artificial recharge facilities made to water level rises in the confined area. Simulated results demonstrated that artificial recharge in the Waterman Canyon-East Twin Creek area had the most effect volumetrically on the high-water zone, presumably because it is the closest of all major recharge sources. To produce a one-foot rise in water level after 10 years near the center of the confined area, one of the following volumes of recharge was determined to be required: 3,400 AFY in Waterman Canyon-East Twin Creek; 7,700 AFY in the Santa Ana River; or 7,500 AFY in Lytle Creek (Hardt and Freckleton 1987). Thus, a unit volume of recharge in the Waterman Canyon-East Twin Creek recharge area has an effect on water levels in the center of the pressure zone that is 226% of the effect produced by a unit volume of recharge in the District recharge basins and 220% of the effect of a unit volume of recharge in Lytle Creek. These findings make clear that a factor in the high groundwater problem is uncoordinated recharge activities across the basin. It follows that a coordinated effort by all water agencies becomes essential if the artificial recharge component of the high groundwater problem is to be managed.

An analysis to illustrate the effect of recharge, natural and artificial, on downgradient groundwater levels is discussed below. First, annual values of Santa Ana River flows and District recharge are shown in Figure 10. Three consecutive years, 1978-1980, yielded river flows well above average and, correspondingly, the District diverted large quantities of water for artificial recharge during this period. Second, Figure 11 shows locations of three sets of three wells each: one near the recharge area, one in the vicinity of the pressure area of the city, and one midway in between. Lastly, available annual data for the maximum average depths to groundwater in the three sets of wells are plotted in Figure 12 (this figure shows the groundwater levels closest to ground surface). A review of Figure 12 shows that the water table approached the ground surface in the lower city area in the early 1980s, resulting in the high groundwater problem described previously. This high water table was a problem in fewer than three of the 28 years graphed.

Figure 12 also reveals the spatial and temporal development of the high groundwater problem. Beginning after the drought of 1976–1977, a series of high rainfall years caused groundwater levels to rise an average of 170 feet near the recharge basins, 120 feet in the middle area, and 100 feet in the lower area over the next four to seven years. Thus, a rise in the water table migrated slowly westward down the valley. The upgradient wells were influenced by the river and the recharge basins, midway wells were influenced by the same sources and inflows from Plunge and City creeks, and lower area wells responded to all of these plus inputs from Lytle Creek and other northern sources.

Groundwater levels in the upgradient wells rose some 110 feet in 1978, but rose relatively little in the following two years, despite continued high streamflow and recharge. The subsequent drought of the late 1980s into the early 1990s created a

decline of some 240 feet from the highs of the late 1970s as both streamflow and concurrent recharge fell to minimal values. Average upgradient levels peaked at about 23 feet below ground surface in 1979, as a result of above-average streamflow and recharge. This upgradient peak was followed by downgradient wells reaching a critical average level of about only seven feet below ground surface, in 1984. Similarly, during the subsequent drought, the upper wells fell to an average of about 276 feet below ground surface in 1990, followed by the downgradient wells dropping to an average of about 90 feet below ground surface in 1994. Levels in the middle well group demonstrated intermediate responses that confirmed the effects of upgradient recharge. Upgradient levels returned to a high in 1993 almost equivalent to those 14 years earlier, yet downgradient levels did not respond as strongly this time. This difference can be attributed to the fact that wet years did not occur consecutively as they had earlier. The time intervals between high flows apparently enabled upgradient mounding of the water table to dissipate gradually, so that downgradient responses were diminished.

One approach to predicting downgradient levels is to review upgradient fluctuations. In other words, one would look at the average water levels in select sub-areas, and establish "safe" or maximum desirable groundwater levels to protect against high groundwater problems. Basin inputs such as recharge, outflows such as groundwater production, and available storage space would be reflected in the existing groundwater depths. By anticipating the lag between recharge in the upper end of the basin and groundwater response at the lower end, artificial recharge can be reduced when groundwater elevations in the upper area, middle area, and/or pressure zone approach maximum values established for each area. This method is used in the PERC.

3.2.4. District Actions

District facilities and operations will continue to be those described in Section 1.4 of this document. The District will take the following actions:

Recharge in an amount not to exceed 65,864 AF/yr.

The District will recharge native Santa Ana River and Mill Creek water from existing diversion points in an amount not to exceed 65,864 acre-feet in any given water year. The maximum quantity to be diverted from the existing diversion work in the Santa Ana River is 52,172 AF/yr. The maximum quantity to be diverted from the District's existing diversion work at Mill Creek is 19,800 AF/yr. These amounts correspond to the maximum annual amounts diverted from each system since 1969.

Maintain standard diversion and recharge practices.

The District will divert Santa Ana River and Mill Creek water consistent with its historical operation practices, as described in Section 1.4 of this document.

Monitor and, on a quarterly basis, report on groundwater level trends in the Bunker Hill Basin.

The District will supplement its current annual Engineering Investigation of the Bunker Hill Basin with additional quarterly reports on groundwater trends in the Bunker Hill Basin. The monitoring reports will include an evaluation of the inputs and outputs that affect water levels in the basin, with the goal of determining potential trends in changing groundwater levels. Factors described below will be included in the evaluation.

Precipitation
Precipitation gauges used in the District's annual Engineering Investigation of the Bunker Hill Basin are well distributed throughout the land overlying the Bunker Hill basin, and are considered to be adequate to determine temporal precipitation trends in the valley. These data are collected daily and are summarized into monthly and annual totals by San Bernardino County Flood Control District. While precipitation in the mountain areas has an effect on groundwater levels in the valley, this effect is typically felt through natural recharge of increased streamflow.

Streamflow
A variety of USGS streamflow gauges exist on most of the significant streams entering the valley. Data are produced from these gauges daily and are summarized into monthly and annual totals by USGS. Mill Creek, one of the more significantly flowing streams in the valley, is currently estimated based on a flat percentage of the flow in the Santa Ana River. Placing a gauge on Mill Creek would significantly improve the estimate of flow in that stream, and potentially lead to a more precise understanding of inputs of water to this valley.

The Santa Ana River has a USGS streamflow gauge at E Street, shortly before the stream exits the valley overlying the Bunker Hill basin. This gauge is downstream of the City of San Bernardino wastewater discharge point (no longer being used due to water quality standards), and upstream of the confluence with Lytle Creek.

Imported Water
Imported water is typically transported into the basin from the State Water Project, through the San Bernardino Valley Municipal Water District ("Muni"). This imported water is used for consumption purposes or for recharge into the Bunker Hill basin.

These data are best obtained from Muni, as any water imported into the basin is likely to use Muni's facilities.

Production
Production – including both groundwater pumping and diversion of surface water for consumption – is the single largest output from the groundwater basin. The District's Engineering Investigation of the Bunker Hill Basin examines annual production for all water users in the basin.

Water exported from the basin includes production of both groundwater and surface water. A certain portion of production normally returns to the basin in the form of recharge – wastewater, agricultural, and others. While exported water does not have a similar "return factor," trends in groundwater levels can still be predicted without differentiating production for export from the general production of water from the basin.

Implementation
The above-described data will be assembled monthly and evaluated quarterly by the District. This program of data collection and analysis is designed primarily to aid the District in determining its operations during the "warning" periods designated in the PERC. It is possible that analyzing these data might present the District with additional criteria that would suggest a change in state be triggered as per the PERC. For example, certain input variables above a certain level might automatically trigger a "warning" period.

A brief report of the data, the evaluation of those data, and the conclusions drawn from that evaluation will be prepared and offered to the local producers for their information. Also included in the report will be a report on the current status of the decision matrix, as described in the PERC, based on the information reviewed in the report. The Upper Santa Ana Water Resources Association is an adequate vehicle to disseminate these quarterly reports and the information they contain.

Use the operating parameters specified in the matrix "Groundwater Depth Scenarios and PERC Operating Conditions" to guide recharge decisions.
The District will continue to divert Santa Ana River and Mill Creek water when groundwater levels are low (i.e., below critical depths, as described in the following). When groundwater levels start approaching established critical depths below ground surface, the District's recharge efforts will either stop or enter a warning and review period.

Table 4 is a matrix of groundwater depth conditions in the lower, middle, and upper areas represented by the three sets of wells in Figure 11. The matrix shows the groundwater depth conditions in the lower, middle, and upper areas that would trigger the following proposed District actions:

Continue recharging – This first set of scenarios consists of conditions when recharge is not expected to contribute to high groundwater levels downgradient and should therefore continue.

Warning to review data and modify recharge as needed – The second set of scenarios constitutes conditions of warning when hydrogeologic conditions would be reviewed and recharge operations modified as needed.

Stop recharging until water levels fall – This last set of scenarios consists of conditions when the District would stop recharging until water levels drop below the critical depths.

According to these criteria, the District would stop recharging if both the lower and middle areas have reached the critical groundwater depths or both the middle and upper areas have reached the critical depths, and would continue recharging if both the lower and middle areas have more storage space before reaching critical depths. When the lower area has reached the critical depth and the middle area has additional storage space, or when the middle area has reached the critical depth and the lower and upper areas have additional storage space, hydrogeologic conditions, such as past and anticipated natural and artificial recharge, pumping, and imported water use, would be reviewed to determine how much water can be recharged safely. Recharge may be modified or ceased at such a time.

For example, when average groundwater depths in the lower area are greater than 30 feet, average middle area groundwater depths are less than 50 feet, and average upper area groundwater depths are greater than 60 feet, recharge operations enter a condition of warning, data review, and possible modification to recharge activities. The high levels in the middle area will migrate to the lower area and could cause high groundwater problems if levels are elevated in the lower zone, if natural recharge is or will be high, and/or if groundwater production is or will be low. Under these conditions, the District's recharge activities may be reduced or stopped. Conversely, if groundwater levels are low in the lower area, recharge is low, and/or groundwater production is high, then recharge might continue.

Under the warning criteria, hydrogeologic conditions would be reviewed and the District would hold discussions with water users and other affected parties and consider modifying recharge operations appropriately. The hydrogeologic conditions reviewed would include water-level trends in the three areas; use of imported water; past, current, and projected pumping; inflow from upper areas; Seven Oaks Dam releases; and other relevant information.

The matrix operating criteria presented in Table 4 can be applied to the historical water levels shown in Figure 12 to illustrate how prospective PERC criteria would have affected past recharge practices. The red, yellow, and green colored bar at the bottom of Figure 12 indicates operations of normal recharge, warning and review, and stop artificial recharging, respectively. The initial years of 1974 through 1977 would have been green, showing no limitation on recharge in any of the three areas, with groundwater depths greater than 60 feet in the upper area, greater than 50 feet in the middle area, and greater than 30 feet in the lower area. The rise of more than 50 feet in groundwater depth in the upper area in 1978 would have triggered a yellow "warning" period. The year 1979 would have been in the green range, even though the depth to groundwater in the upper area was less than 60 feet, because the other two areas were below trigger levels, indicating that ample storage space remained. In the following

year (1980), both the upper and lower areas were above the critical depth, giving a red signal to stop recharge. The next year (1981) showed marked declines in the upper and middle areas, making it green. In 1982, the rise in water levels in the middle area and the upper area at the critical level of 60 feet would have led to a stop in recharge (red). In 1983, groundwater depths in the middle and lower areas would have triggered a warning condition. In 1984 and 1985, groundwater depth in the lower area was above 30 feet, keeping recharge in a warning condition. Recharge would have been in a green continuing condition between 1986 and 2001, with the exception of 1993. In 1993, groundwater levels in the upper area rose more than 50 feet, causing a warning in which basin conditions would have been reviewed.

District operations under the criteria described above will involve the following specific measures:

- Groundwater depths and elevations in key monitoring wells in the three areas would be measured at least quarterly and averaged;
- Data on groundwater production, imported water use, streamflow, and other basin hydrologic factors would be compiled and evaluated at least quarterly;
- Key wells and matrix criteria would be reviewed and revised when necessary to adapt to changing basin conditions; and
- When groundwater levels enter warning conditions shown in Table 4, the District would contact affected agencies and other interested parties and participate in an advisory committee to analyze past and current hydrogeologic conditions with a goal of recommending whether and when to reduce or stop recharge. The committee's recommendation would be provided to the District Board of Directors for consideration at the next scheduled Board meeting.

Much as minimum-depth-to-groundwater targets can be established to prevent high-groundwater problems, so too can maximum depths to groundwater be established to indicate potential problems with declining groundwater levels. Actions, such as the District's recent cost-sharing initiatives and purchase of State Water Project water, may be implemented to offset the effects of declining groundwater levels. The District will continue its practice of discussing these and other issues with affected agencies and other interested parties, with the goal being development of a cooperative basin-wide groundwater management plan.

Revise the PERC as needed to reflect new conditions.

The PERC will be adapted as appropriate over time to reflect both changing conditions and refined understanding of groundwater-level dynamics in the Bunker Hill Basin. Future growth in the basin will depend largely on increased groundwater recharge and pumping. The extent of the projected increase in pumping depends on many factors, including the amount of imported water available from the State Water Project, population growth rates, water conservation, use of recycled water, and changing precipitation patterns. These factors will make any decisions governing water levels, pumping, and recharge transitory and in need of continual revision.

3.2.5. Basin-Wide Cooperation

The high groundwater situation of the late 1970s and early 1980s occurred as the result of water inputs from all streams and recharge basins in the Bunker Hill Basin. It follows that management of groundwater levels is a basin-wide responsibility to be shared by all water entities. A coordinated effort involving both groundwater pumping and artificial recharge appears to be most feasible for ensuring that groundwater remains at appropriate levels in all parts of the basin. It is likely that conjunctive use of water and agreements between agencies in the basin will become even more prevalent in the future to facilitate more effective basin-wide management. For example, the proposed Riverside Corona Feeder Project anticipates storing local and imported water in this groundwater basin and then pumping some 40,000 acre-feet annually from the Bunker Hill Basin for use in western Riverside County (Webb Associates 2003). The water supply pumped from the pressure zone will be offset with other water, such as State Water Project water. Thus, more recharge at the upper end of the basin may be needed to compensate for increased groundwater production in the pressure zone.

The PERC provides a methodology that can guide an inter-agency consortium in protecting lives and property in San Bernardino while optimizing available groundwater resources. The District has already initiated discussions about the proposed PERC criteria with other water agencies and will continue to involve other water agencies and producers in the basin.

The District and other water users in the Upper Santa Ana River area have discussed a comprehensive plan to guide all water management activities in the area. While consensus on such a plan has not yet been reached, the District continues to work with other water agencies and users of the Upper Santa Ana River toward this goal. A cooperative plan for water management would reduce uncertainty over appropriate operations of Seven Oaks Dam and minimize conflicting claims to water rights among various parties. To date, however, no formal basin-wide management plan has been developed. Many smaller committees and agreements do exist that address specific concerns. Efforts will be made to expand one of the existing committees to become a regional basin-wide management committee with a goal of developing a regional water management plan.

4. GROUNDWATER CHARGE

The following is a summary of actions that shall be taken by the District annually for the determination by the Board of Directors in establishing the groundwater charge.

4.1. INVESTIGATION AND REPORT

The District shall annually produce an engineering report on the groundwater conditions of the District. The engineering investigation and report shall include all of the following:

- Information for the consideration by the Board in its determination of the annual basin change in storage;
- Information for the consideration by the Board in its determination of the accumulated change in storage as of the last day of the preceding water year[1];
- A report as to the total production of water from the groundwater supplies of the District for the preceding water year;
- An estimate of the annual basin change in storage for the current water year for the ensuing water year; and
- The amount of water the District is obligated to purchase during the ensuing water year, and a recommendation as to the quantity of water needed for surface delivery and for replenishment of the groundwater supplies of the District for the ensuing water year.

4.2. HEARING

On or before the day of the regular meeting of the Board of Directors in March of each year, the engineering investigation and report shall be delivered to the Secretary of the Board in writing.

The Secretary of the Board shall publish a notice of the receipt of the engineering investigation and report and of a public hearing thereon to be held in April. The notice shall be published, as required by law.

The notice, in addition to other information the District may provide, shall contain an invitation to all operators of producing wells within the District boundaries, to call at the office of the District to examine the engineering investigation and report.

The Board of Directors shall hold a public hearing in April of each year, in the regular place of the Board, but not sooner than 30 days after receipt of the engineering investigation and report, unless otherwise permitted by statute. Any operator of a producing well within the District boundaries, or any person interested in the condition of

[1] A water year shall mean from July 1st of one calendar year to June 30th of the following calendar year.

the groundwater or surface water supplies of the District, may in person or by representative appear and submit evidence at the public hearing concerning the groundwater conditions and the surface water supplies of the District. Appearances also may be made supporting or protesting the engineering investigation and report.

The Board of Directors shall, before levying of a groundwater charge, find and determine all of the following:

- The average annual basin change in storage for the immediate past ten water years;
- The estimated annual basin change in storage for the current water year;
- The estimated annual basin change in storage for the ensuing water year;
- The accumulated change in storage as of the last day of the preceding water year;
- The estimated accumulated change in storage as of the last day of the current water year;
- The estimated amount of agricultural water to be withdrawn from the groundwater supplies of the District for the ensuing water year;
- The amount of water other than agricultural water to be drawn from the groundwater supplies of the District for the ensuing water year;
- The estimated amount of water necessary for surface distribution for the ensuing water year;
- The amount of water which is necessary for the replenishment of the groundwater supplies of the District; and
- The amount of water the District is obligated by contract to purchase.

The findings and determinations by the Board of Directors shall be conclusive and binding upon all persons and parties.

4.3. LEVY OF CHARGE

Prior to the end of the water year in which the hearing is held, and based upon the findings and determinations from the hearing, the Board of Directors shall determine whether or not a zone or zones shall be established and a groundwater charge levied for the ensuing water year. A zone may include the entire District.

If the Board of Directors determines that a zone or zones should be established and a groundwater charge levied therein, it shall establish the zone or zones and levy the charge against all persons operating wells within the zone or zones during the ensuing water year.

The charge shall be computed at a fixed and uniform rate per acre-foot for agricultural water, and at a fixed and uniform rate per acre-foot for all water other than agricultural water.

Different rates may be established in different zones if the Board of Directors establishes zones instead of a District-wide zone; provided, however, that in each zone the rate for agricultural water shall be fixed and uniform and the rate for water other than agricultural water shall be fixed and uniform.

Any groundwater charge in any year shall be established at a fixed and uniform rate for each acre-foot for water other than agricultural water, which is not less than three times nor more than five times the fixed and uniform rate established for agricultural water, unless otherwise authorized by law.

4.4. COLLECTION

The District, after the levying of the groundwater charge, shall give notice thereof to each operator of a producing well in the zone or zones as disclosed by the records of the District, which notice shall state the rate for each class of water of the groundwater charge for each acre-foot of water to be produced during the ensuing water year. The notice shall be sent prepaid by the District.

After the establishment of a groundwater charge, each operator of a producing well within the affected zone or zones of the District shall file with the District, on or before the 31st day of January and on or before the 31st day of July in each year, a statement setting forth the total production in acre-feet of water for the preceding six-month period (excluding the month in which the statement is due), a general description or number locating each well and the method or basis of the computation of such water pumping.

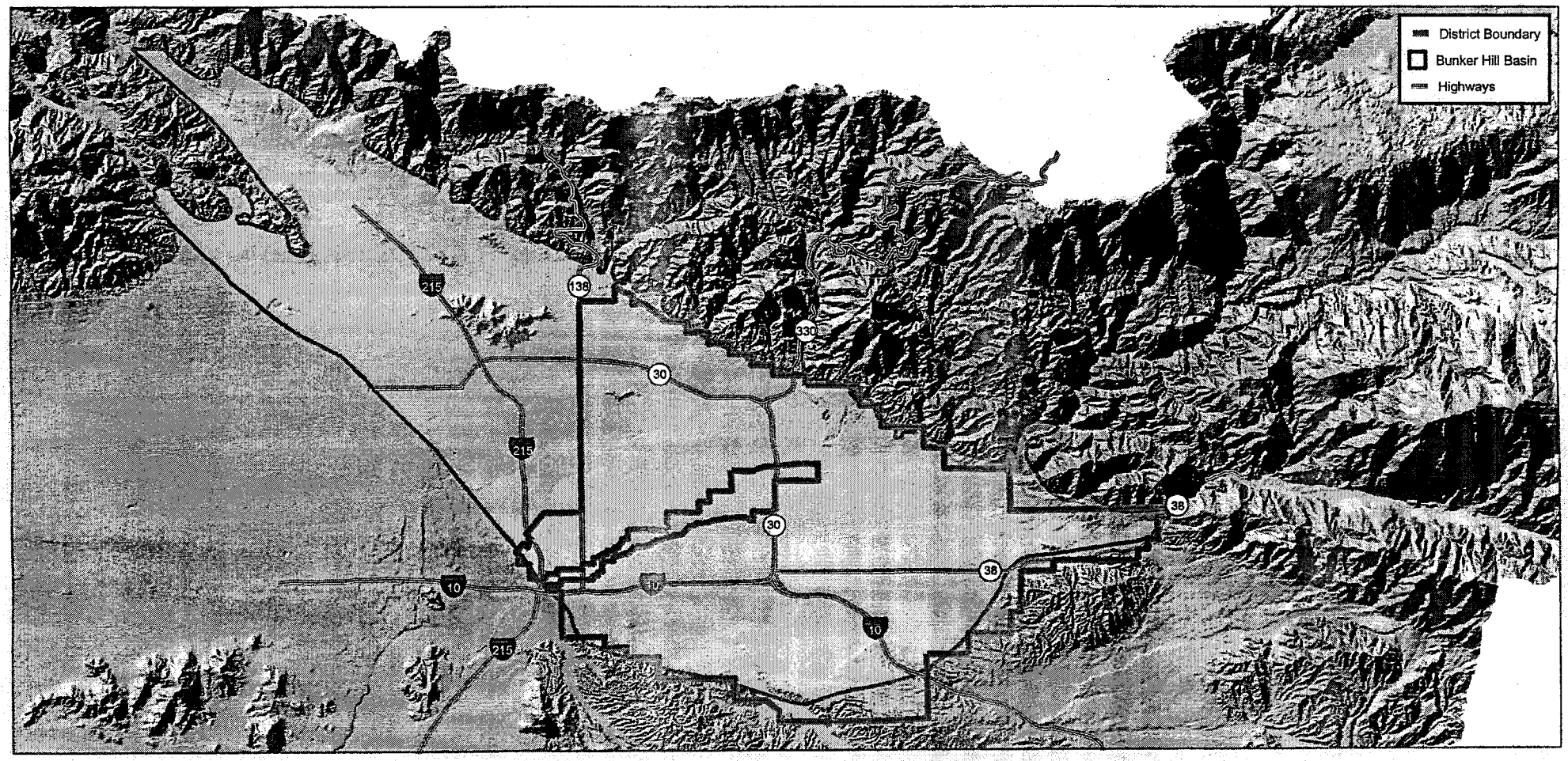
If no water has been pumped from a well during the preceding six-month period, a statement shall be filed with the District, setting forth that no water has been pumped during that period. Such statement shall be verified by a written declaration that it is made under penalty of perjury.

The groundwater charge is payable to the District on or before the last day upon which the water production statement is required to be filed and is computed by multiplying the production in acre-feet of water for each classification as disclosed in the statement by the groundwater charge for each classification of water.

Whenever any producing well in an affected zone is permanently abandoned, the operator thereof shall give written notice of such abandonment to the District.

If any operator of a producing well fails to pay the groundwater charge when due, the District shall charge interest at the rate of one percent (1%) each month on the delinquent amount of the groundwater charge.

If any operator of a producing well fails to register the well or fails to file the water production statements as required, the District shall, in addition to charging interest, assess a penalty charge against the operator in an amount of ten percent (10%) of the amount found by the District to be due.



California State Plane
NAD 83, Zone V, feet

Source: SBVWCD GIS
Created in ArcGIS

N

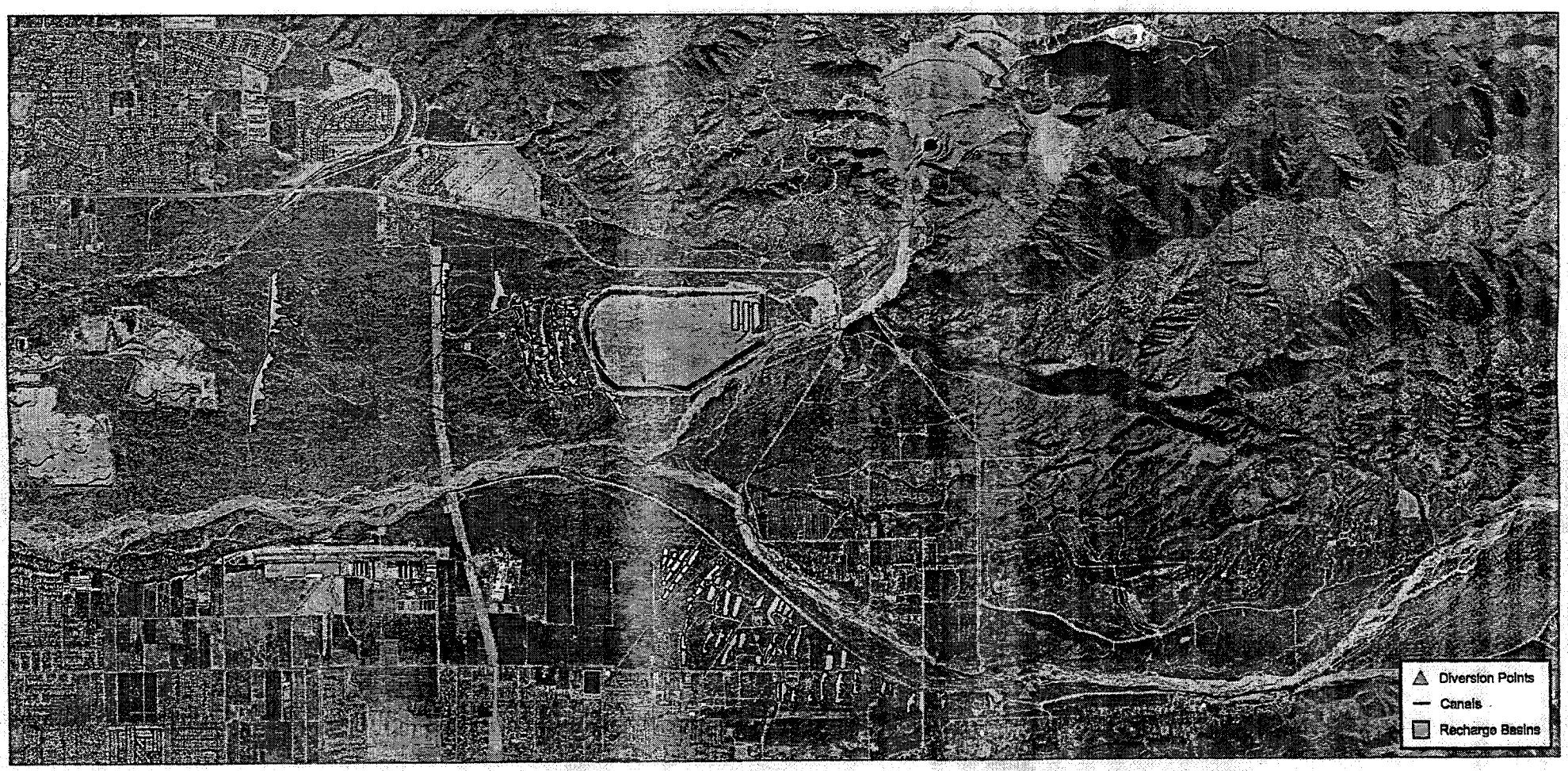
1 in = 12,000 ft

District Boundary

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
OUR NAME IS OUR MISSION

Program for Effective
Recharge Coordination
(June 2004)

Figure 01



California State Plane
NAD 83, Zone V, feet

Source: SBVWCD GIS
Created in ArcGIS

N

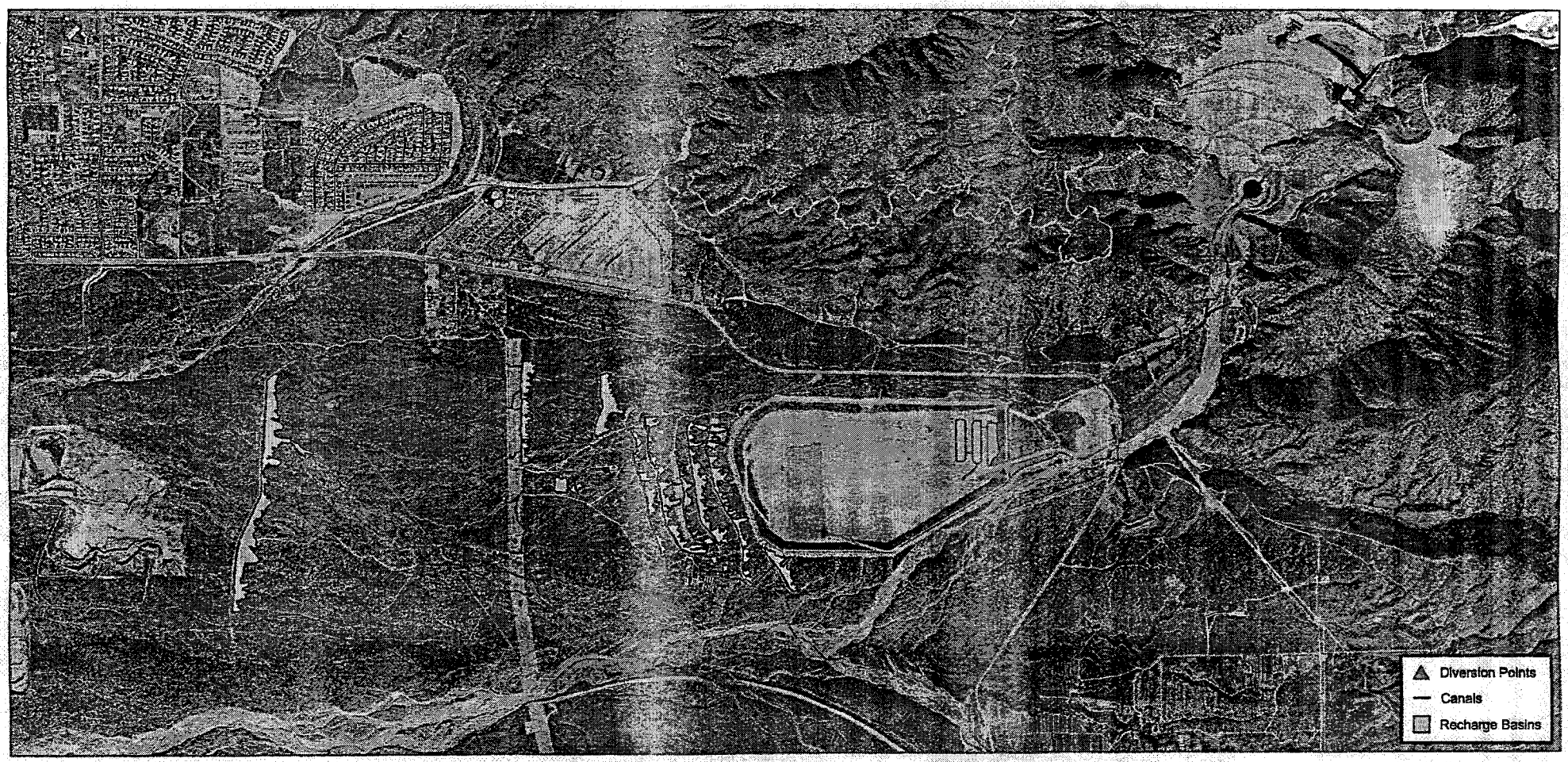
1 in = 2400 ft

District Recharge Facilities Overview

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
OUR BASIN IS OUR MISSION

Program for Effective Recharge Coordination
(June 2004)

Figure 02



California State Plane
NAD 83, Zone V, feet

Source: SBVWCD GIS
Created in ArcGIS

N
1 in = 1600 ft

District Santa Ana River Recharge Facilities

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
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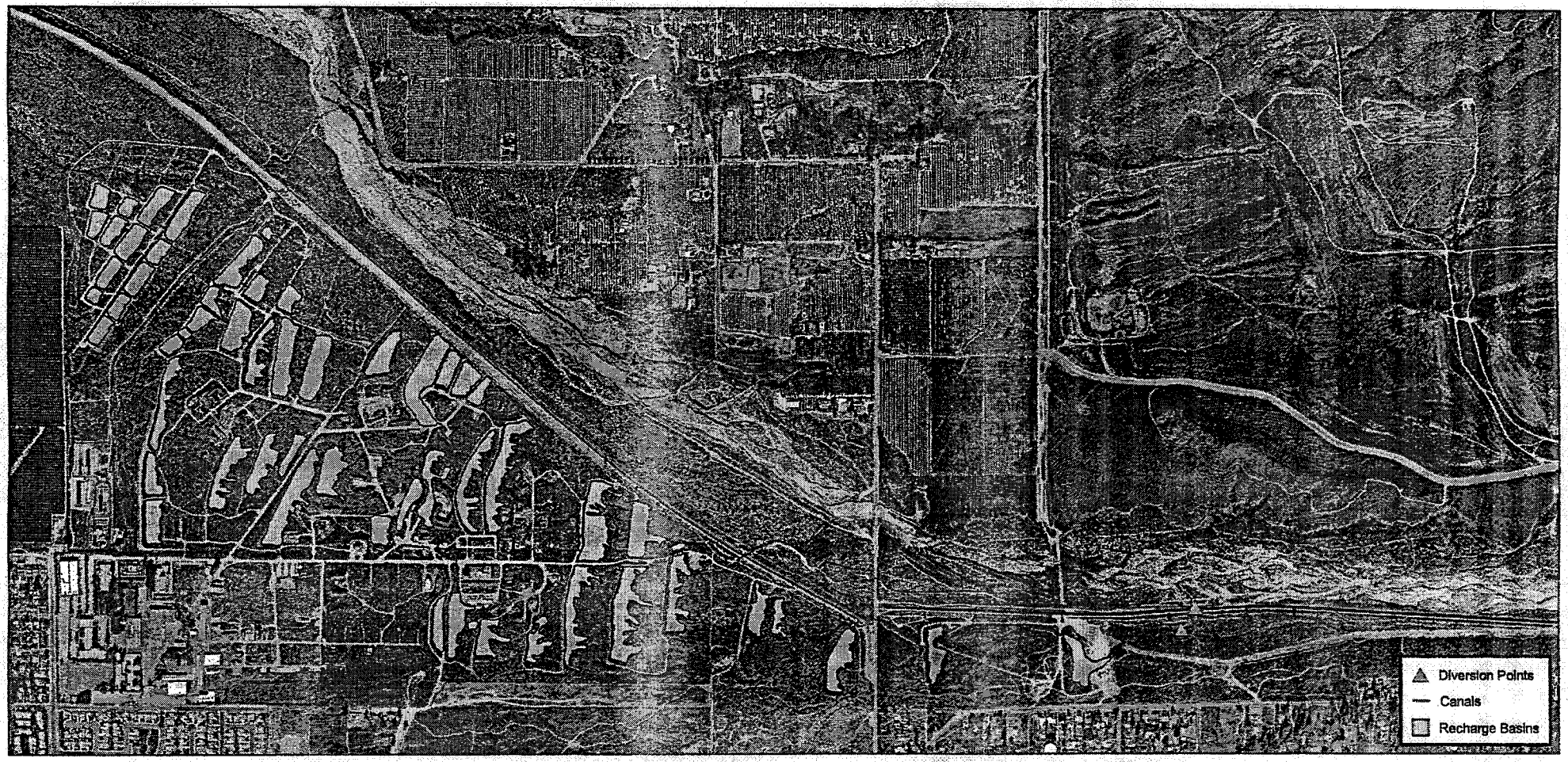
Program for Effective Recharge Coordination
(June 2004)

Figure 03



California State Plane
NAD 83, Zone V, feet

Source: SBVWCD GIS
Created in ArcGIS

N
1 in = 800 ft

District Mill Creek Recharge Facilities

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
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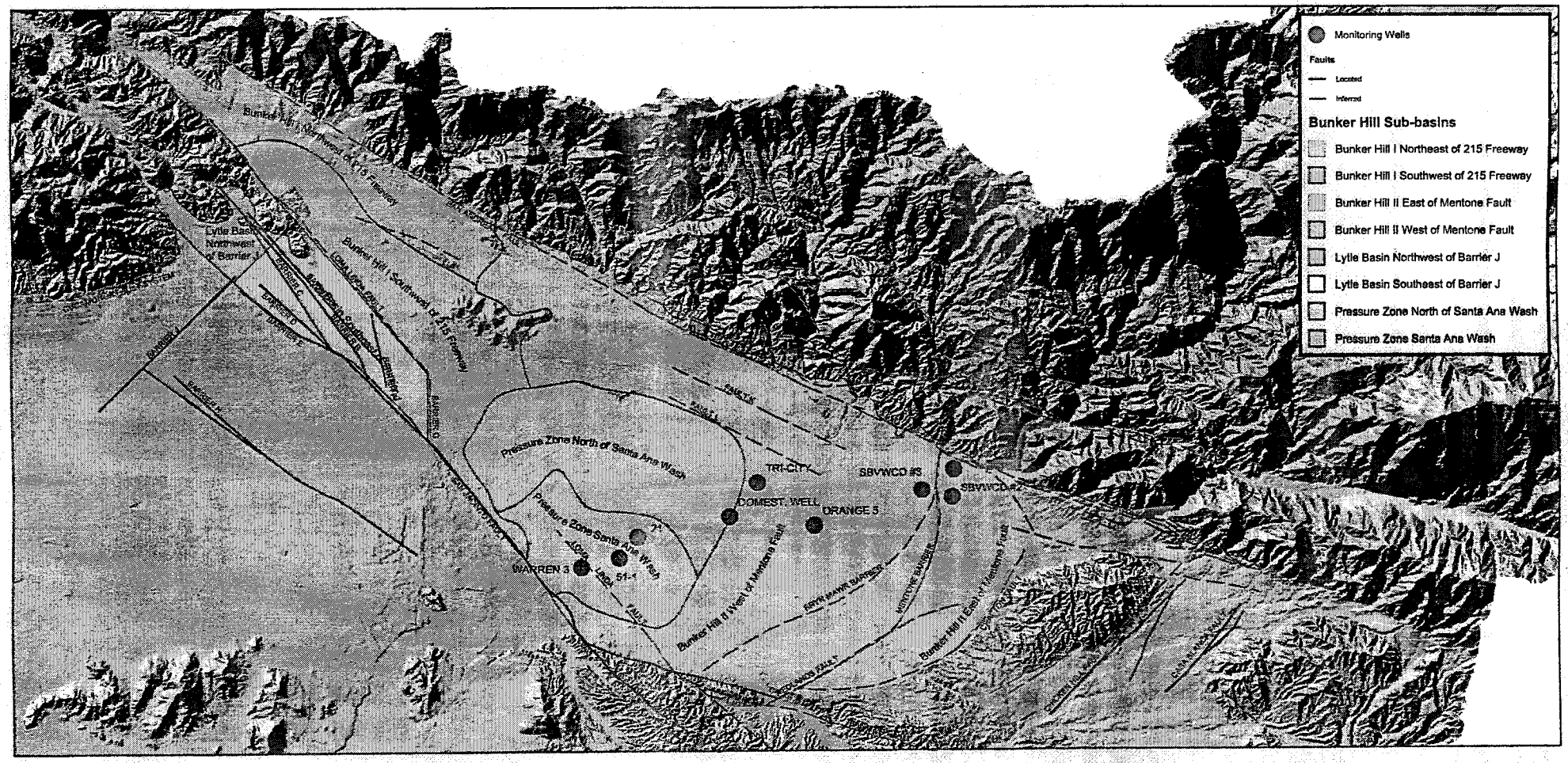
Program for Effective
Recharge Coordination
(June 2004)

Figure 04



California State Plane
NAD 83, Zone V, feet

Source: SBVWCD GIS
Created in ArcGIS

N

1 in = 12,000 ft

Bunker Hill Basin with Geologic Faults

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
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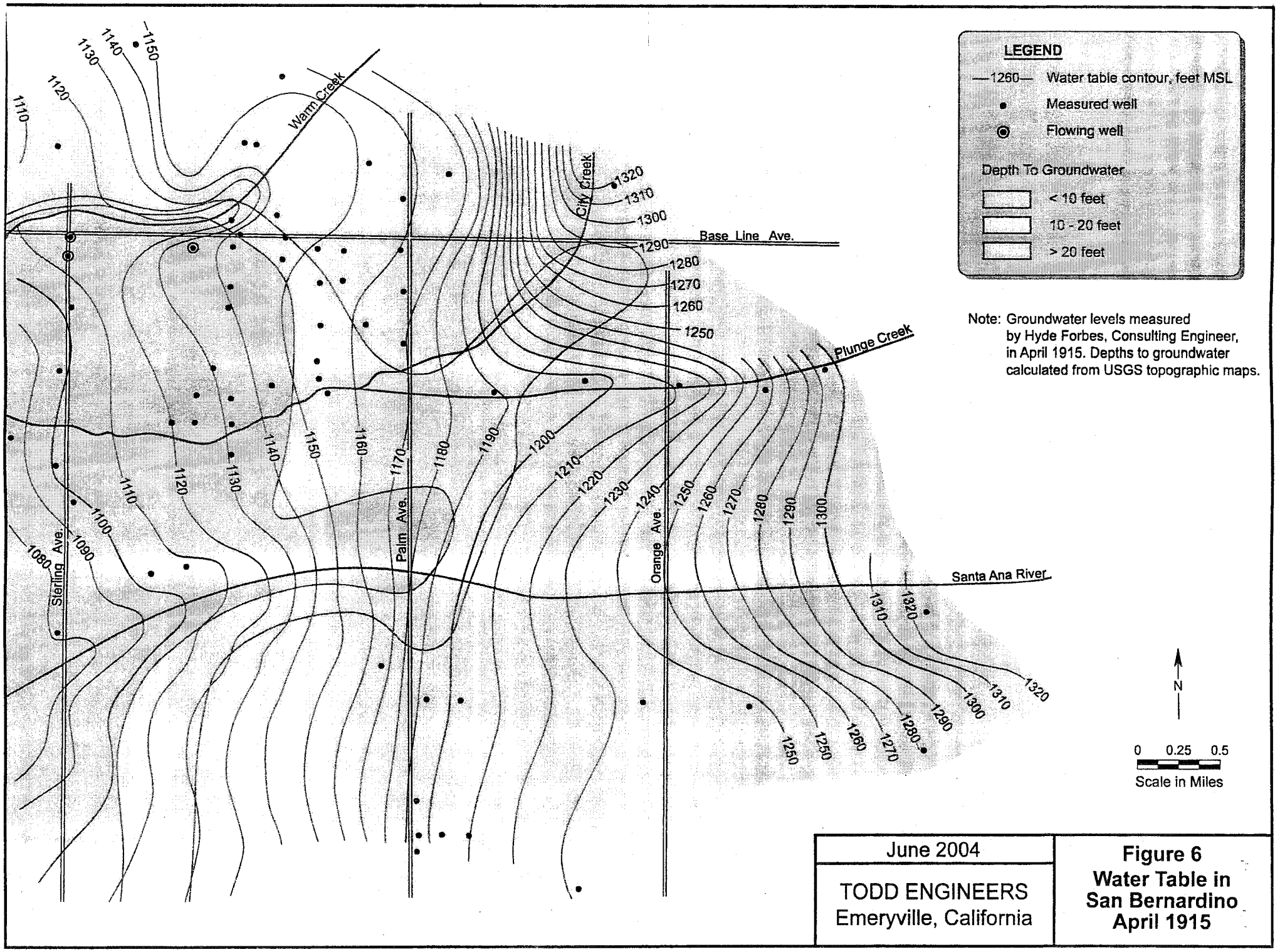
Program for Effective Recharge Coordination (June 2014)

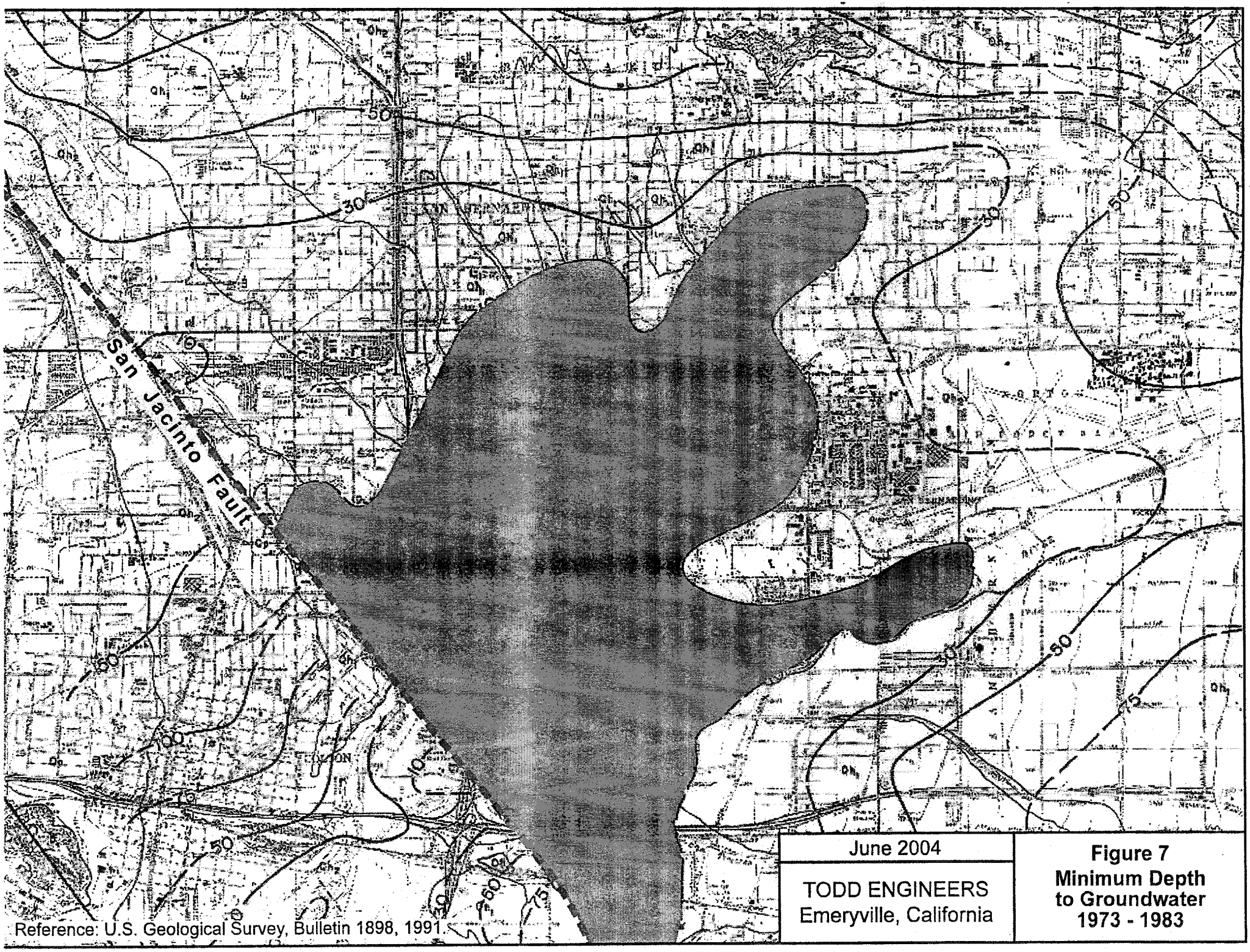
Figure 05



June 2004

TODD ENGINEERS
Emeryville, California

Figure 6
Water Table in San Bernardino April 1915

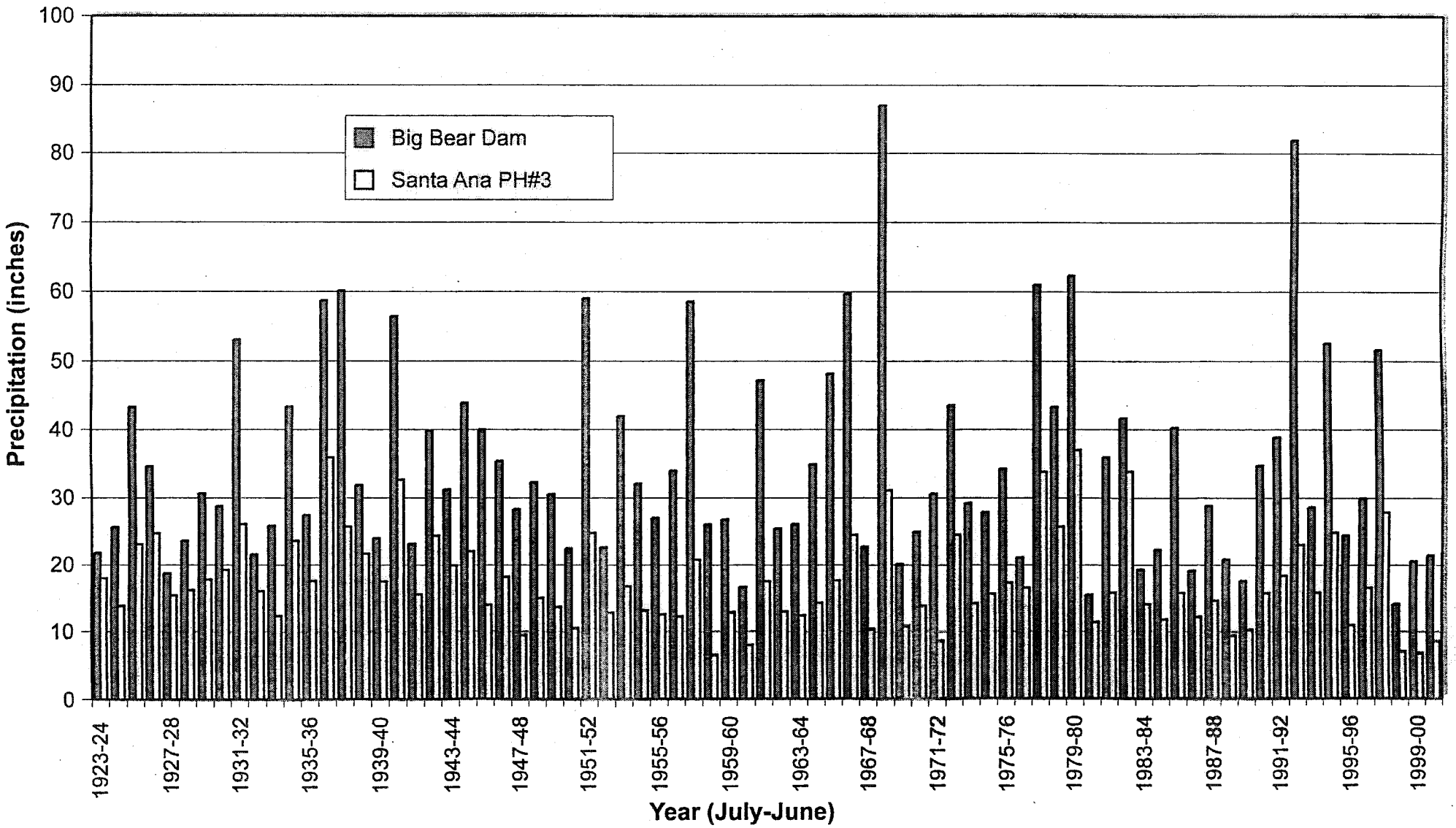


Reference: U.S. Geological Survey, Bulletin 1898, 1991.

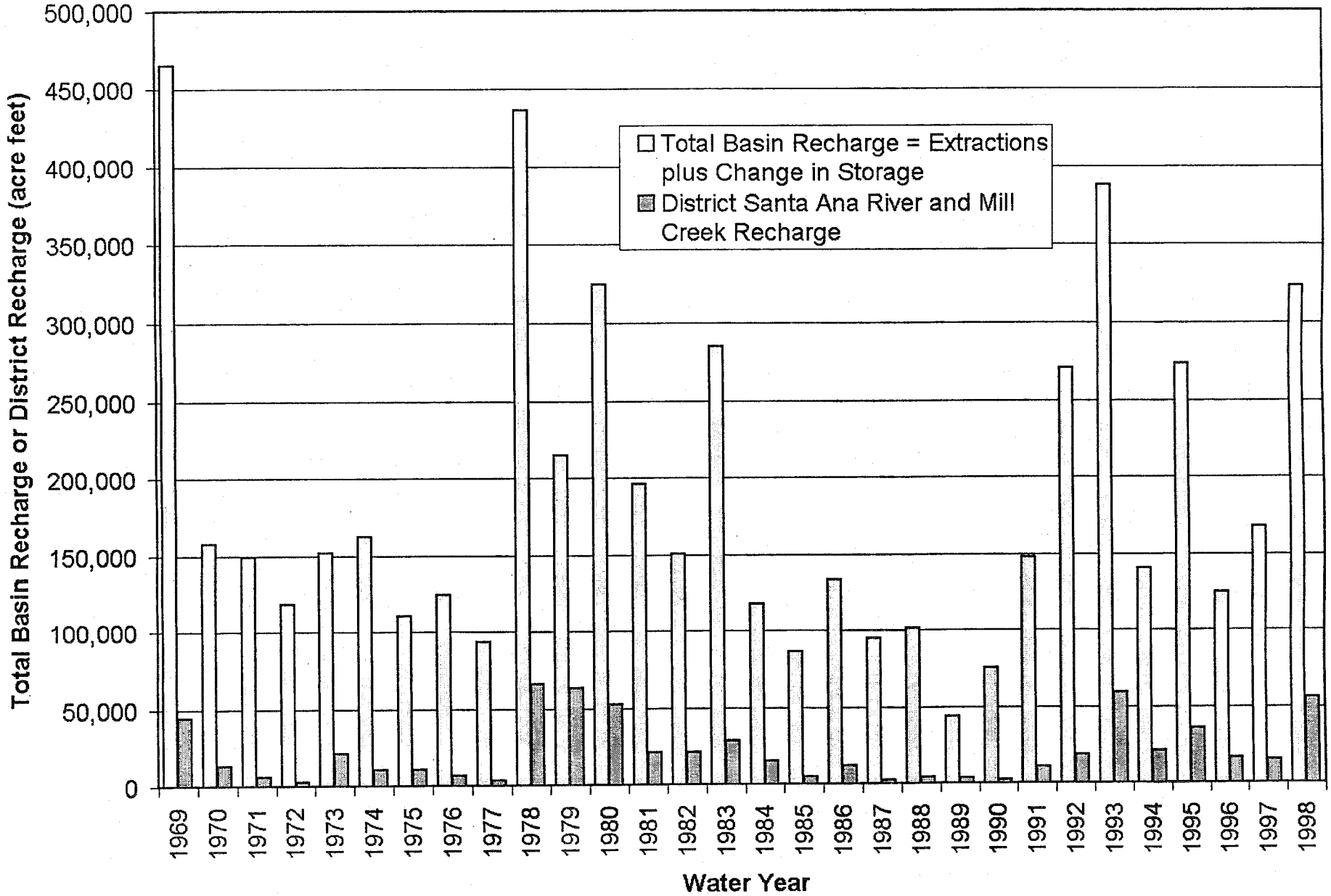
June 2004

TODD ENGINEERS
Emeryville, California

Figure 7
Minimum Depth to Groundwater 1973 - 1983

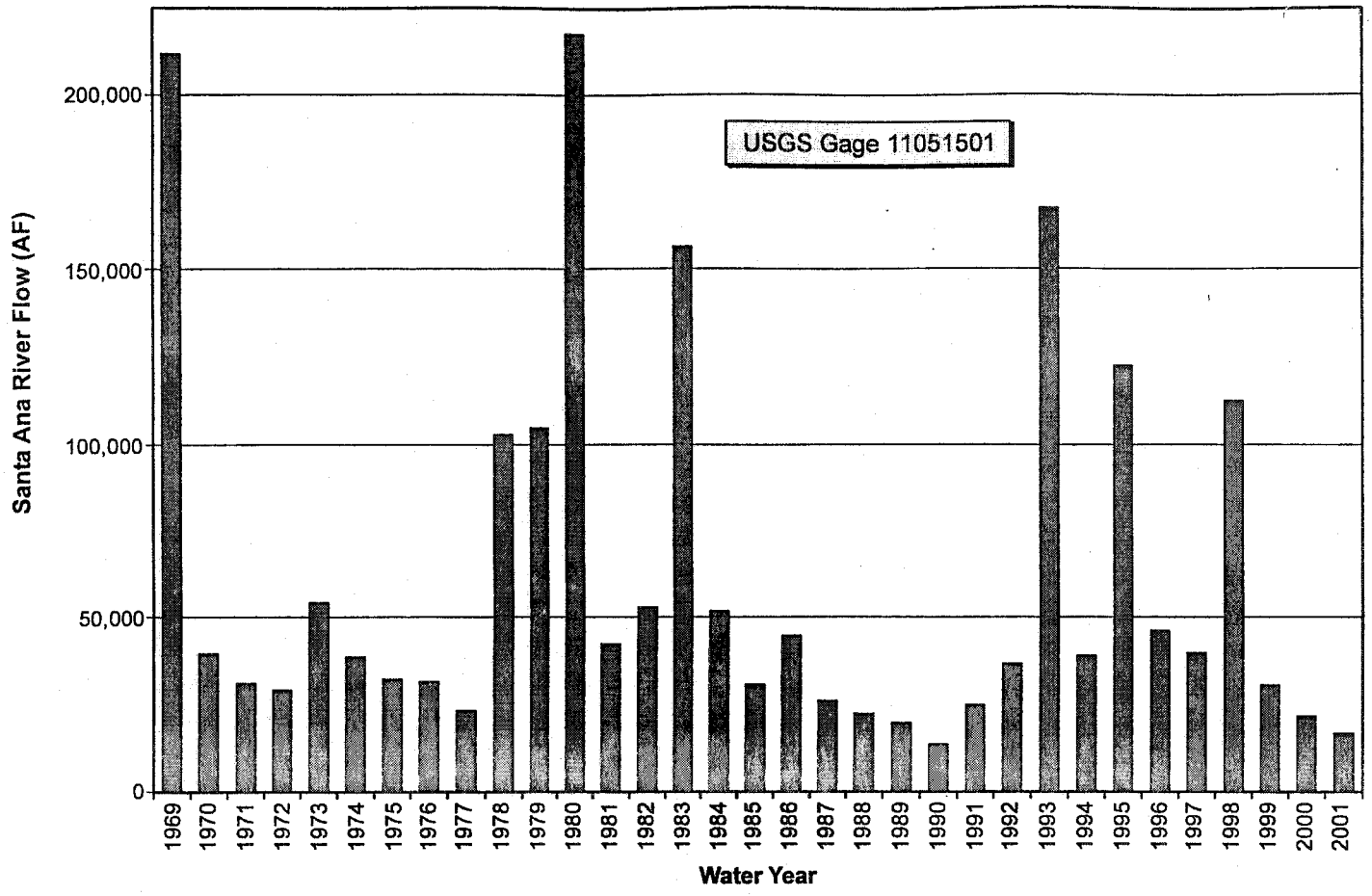


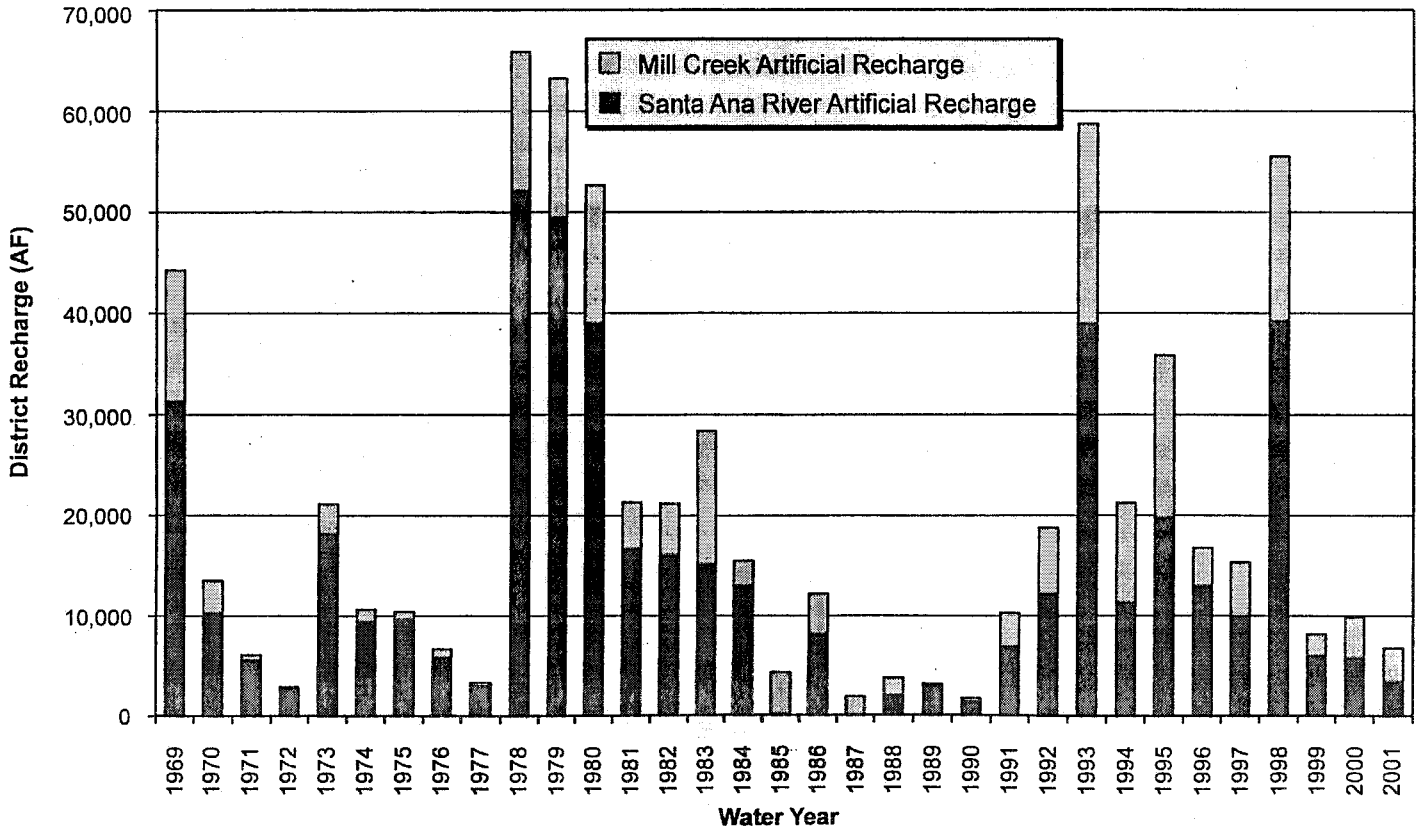
June 2004	Figure 8 Precipitation Draining to Bunker Hill Basin
TODD ENGINEERS Emeryville, California	



Data from Table 1

June 2004	Figure 9
TODD ENGINEERS Emeryville, California	Total Basin Recharge and District Recharge





June 2004	Figure 10
TODD ENGINEERS Emeryville, California	Annual Santa Ana River Streamflow and District Recharge

California State Plane
NAD 83, Zone V, feet

Source: SBVWCD GIS
Created in ArcGIS

N

1 in = 4000 ft

Three Zones for Groundwater Monitoring

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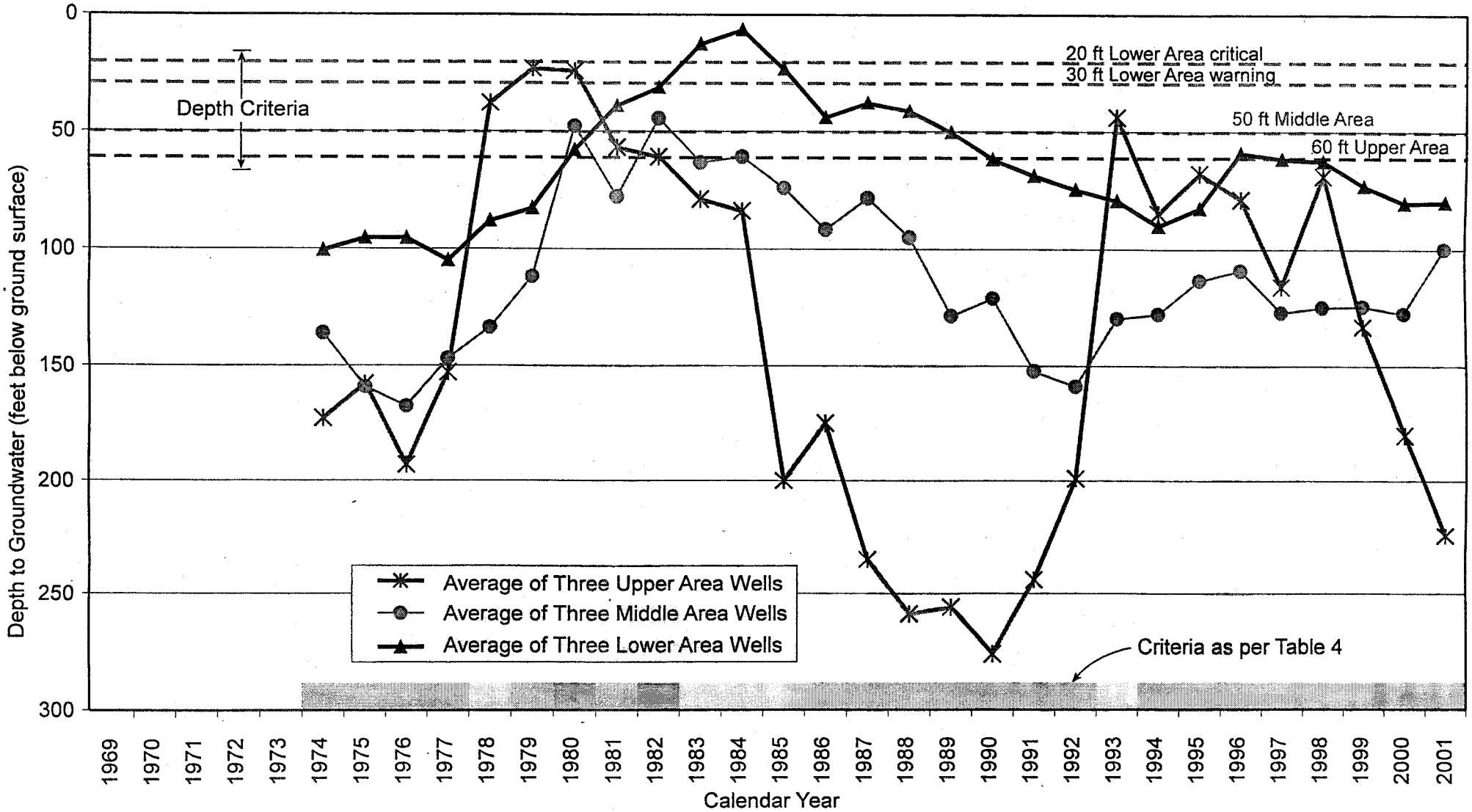
Program for Effective
Recharge Coordination
(June 2004)

Figure 11



June 2004	Figure 12
TODD ENGINEERS Emeryville, California	Maximum Average Groundwater Levels

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Table 1
Total Basin Recharge and District Recharge

Water Year	District Santa Ana River and Mill Creek Recharge (AF)	Bunker Hill Basin Extraction (AF)	Change in Basin Storage (AF)	Ratio of District Recharge to Total Recharge* (%)
1969	44,260	171,128	294,367	10%
1970	13,552	173,662	-15,864	9%
1971	6,118	170,722	-21,340	4%
1972	2,983	164,145	-45,689	3%
1973	21,177	157,428	-5,303	14%
1974	10,625	157,887	4,776	7%
1975	10,407	157,973	-46,965	9%
1976	6,713	158,102	-33,740	5%
1977	3,352	153,305	-59,633	4%
1978	65,864	147,642	288,634	15%
1979	63,237	168,075	47,368	29%
1980	52,716	153,434	171,822	16%
1981	21,354	167,236	28,937	11%
1982	21,214	153,754	-3,042	14%
1983	28,427	148,452	136,343	10%
1984	15,499	171,449	-53,164	13%
1985	4,330	190,780	-104,413	5%
1986	12,191	189,428	-55,577	9%
1987	1,888	181,844	-87,184	2%
1988	3,775	187,060	-85,879	4%
1989	3,198	180,184	-136,477	7%
1990	1,775	168,453	-93,632	2%
1991	10,301	190,798	-42,951	7%
1992	18,765	181,608	88,692	7%
1993	58,793	200,040	187,890	15%
1994	21,229	190,311	-50,000	15%
1995	35,876	182,359	91,100	13%
1996	16,782	209,845	-84,200	13%
1997	15,359	200,451	-32,400	9%
1998	55,576	207,761	115,900	17%
Average	21,578	174,511	13,279	10%
Median	15,429	171,289	-26,870	9%

* Calculated as District Recharge/(Extractions + Storage Change)

Recharge data are from the District and are water year totals (October through September)

Extraction data are in calendar year totals from Western Municipal Water District and San Bernardino Valley Municipal Water District, *Water Extractions for Calendar Year 2000*, prepared for the California Water Quality Control Board December 2001 (includes full historical record, 1947-2000)

1969-1992 storage change data is for "San Bernardino Basin area" from San Bernardino Valley Municipal Water District, *Change in Groundwater Storage for the San Bernardino Basin Area, Calendar Years 1934 to 2001,* May 2002

1993-1998 storage change data is from District annual *Engineering Investigation of the Bunker Hill Basin* reports where storage change is from fall to fall

Table 2
Estimated Recharge Capacity of Major Streams

Stream Channel	Maximum Area (acres)	Recharge Capacity* (cfs)
Santa Ana River	2,110	4,255
Mill Creek	640	1,291
Plunge Creek	424	855
City Creek	154	311
Lytle and Cajon Creeks	2,400	4,840
Total	**5,728**	**11,552**

* Assumes a four foot per day recharge rate
cfs = cubic feet per second

Reference: Moreland, Joe A., *Artificial Recharge in the Upper Santa Ana Valley, Southern California*, US Geological Survey, Menlo Park, California, Open-File Report, prepared in cooperation with the San Bernardino County Flood Control District, April 6, 1972.

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Table 3
Total Dissolved Solids and Nitrate in Santa Ana River and Mill Creek

Well Name	TDS (mg/l)	Nitrate (mg/l)
107	340	44
11A	500	11
120	190	20
121	0	0
125	200	3
12A	270	28
132-2 CULL #2	310	47
132-3	250	41
132-4	270	42
141	170	9
143	220	24
146	200	25
24A	360	21
24B	360	19
25A	390	29
27	490	61
28A	280	36
39	400	
40A	380	30
41	0	0
9A	230	30
26-1	470	31
27-1	480	29
27-2	540	48
29-1	580	52
29-2	510	29
29-3	460	37
30-1	320	32
31-1	290	21
46-1	390	33
51-1	270	37
56-1	210	13
66-1	290	40
92-1	220	18
92-2	160	6
92-3	200	10
98-1	210	4
Well #2	0	0
Well #5	174	5
Well #11	175	7
Well #3	451	18
Anderson 2	500	33
Anderson3	390	14
Nicks	0	0
Mt. View 1	0	0

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Mt. View 4	0	0
Mt. View 3	190	
Richardson No. 1	180	8
Coburn		
Station 36		
Station 59	300	3
Station 69	0	0
Station 91	0	0
Palm Ave	0	0
10	350	57
13	320	46
2330		
31A	250	18
32	310	46
34	390	47
38	310	11
39	350	17
Agate 1	280	29
Agate 2	200	7
Airport	200	11
Airport 2	190	10
Church St	240	23
Crafton	280	40
East Lugonia 3	250	13
East Lugonia 4	210	8
East Lugonia 6	250	13
Hinckley		
Lee	560	43
Madeira	210	12
Maguet 2	260	19
Mentone Acres 2	200	24
Mission	360	51
Orange St	150	9
Redlands Height	0	0
Rees	0	0
Tate	0	0
LC1	231	7
LC10	200	7
LC8	272	11
LV3	172	4
RN17	441	9
RN20	634	16
RN6	430	21
RN7	660	24
Cooley H	210	13
Cooley I	220	13
Garner 1		
Garner 2	330	35
Garner 5	380	19
Garner 6	350	14
Garner 7	290	13
Hunt 10	360	28

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Hunt 11	450	41
Hunt 6	380	34
Raub 2	260	25
Raub 3	300	39
Raub 4	290	39
Raub 5	440	16
Raub 6	220	14
Raub 8	220	8
Scheuer		
Stiles	430	45
Thorn 12	370	8
Warren 1	330	32
Warren 4		
Antil 4	0	0
Antil 5	0	0
Antil 6	476	23
Baseline	432	63
Cajon 2	305	18
Cajon 3	321	11
Cajon Cyn	453	6
Devil Cyn 1	300	17
Devil Cyn 2	343	21
Devil Cyn 3	357	8
Devil Cyn 4	359	8
Devil Cyn 5	334	8
Devil Cyn 6	343	2
Devil Cyn 7	334	2
EPA 1	299	26
EPA 2	324	26
EPA 3	343	24
EPA 4	334	22
EPA 5	324	18
EPA 6	368	29
EPA 7	352	25
Geothermal	219	2
Gilbert	312	14
Kenwood	459	7
Leroy	330	17
Lynwood	300	15
Lytle Ck 1	279	15
Lytle Ck 2	204	6
Mallory	302	13
Mill & "D" Street	313	9
Mt Vernon	319	21
Newmark 1	371	15
Newmark 2	331	13
Newmark 3	353	18
Newmark 4	314	14
Olive & Garner	265	4
Perris Hill 3	0	0
Perris Hill 4	429	39
Perris Hill 5	417	32

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Vincent	440	7
Waterman	357	24
7th Street Well	356	22
10th & "J" Well	190	7
16th & Sierra Way	364	23
17th & Sierra Wa	398	21
19th Street #1	342	18
19th Street #2	397	24
23rd & "E" Street	0	0
25th Street	0	0
27th & Acacia	408	35
30th & Mt View	337	27
31st $ Mt. View	339	25
40th & Valencia	357	16
1		
11		
15	270	17
16		
18A		
2		
22A		
22B		
23A		
24		
30	250	6
33		
34		
35		
36		
37		
4		
40		
41		
5A		
7		
8		

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Table 4
Groundwater Depth Scenarios and PERC Operating Conditions

Groundwater Depths (feet below ground surface)			PERC Operating Criteria
Lower/Pressure Area	Middle Area	Upper Area	
greater than 30	greater than 50	any depth	**Continue** Recharging
greater than 30	**50 or less**	greater than 60	* **Warning:** review data and modify recharge as needed
30 or less	greater than 50	any depth	
any depth	**50 or less**	**60 or less**	**Stop** recharging until water levels fall below the critical depths
20 or less	**50 or less**	any depth	

*** In addition, a warning condition would be entered whenever groundwater levels rise over 50 feet in a single year in any area.**

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
Established 1932

1630 West Redlands Boulevard, Suite A
Redlands, CA 92373-8032
(909) 793-2503
Fax: (909) 793-0188

P.O. Box 1839
Redlands, CA 92373-0581
Email: info@sbvwcd.dst.ca.us

RECEIVED
FEB 19 2003
LAFCO
San Bernardino County

February 18, 2003

James Roddy
Executive Officer
Local Agency Formation Commission
County of San Bernardino
175 W. 5th Street, 2nd Floor
San Bernardino, CA 92415-0490

Dear Mr. Roddy:

The San Bernardino Valley Water Conservation District ("Conservation District") has developed a partnership program with the Los Angeles District of the U.S. Army Corps of Engineers ("Corps of Engineers") for a project within their Environmental Restoration Program. The project is the "Seven Oaks Dam Borrow Pit Groundwater Conservation and Habitat Restoration Project" ("Project") (Please see the attached Location Map). The Corps of Engineers has prepared a Preliminary Restoration Plan ("PRP") for the Project, and will soon begin a feasibility and environmental analysis, known as the Detailed Project Report or "DPR".

The Project will restore the approximately 200 acres of land in the Seven Oaks Dam pervious borrow pit to a series of groundwater recharge percolation basins, surrounded by and supporting native habitat (please see the attached Project map). The recharged water will provide high quality groundwater in the Bunker Hill Groundwater Basin ("Basin") to customers in the San Bernardino Valley. Since 1969, the Conservation District has recharged annually nearly 16,000 acre-feet of Santa Ana River water and nearly 6,000 acre-feet of Mill Creek water, the principal tributary to the Santa Ana River. Additionally, the Basin is one of only three in the Santa Ana River watershed that has improved its quality in total dissolved solids and nitrate-nitrogen, two of the most prominent water contaminants. The marked improvement in water quality in the Basin is attributable to the continued recharge of the Basin by the Conservation District. With the current drought, the uncertainty of future state water project deliveries, and the drastic reduction in California's use of Colorado River water, projects like this one are essential to securing the water future of this region and the state.

The Project is also compatible with the Land Management and Habitat Conservation Plan for the Upper Santa Ana River Wash, a cooperative planning effort by cities, counties, water agencies, mining companies, state and federal wildlife agencies, the Corps of Engineers, and

BOARD OF DIRECTORS: Bert Marcum, Jr. · Clare Henry Day · Arnold L. Wright · Sterling Woodbury · Cheryl A. Tubbs · Melody Henriques · Manuel Aranda, Jr.
GENERAL MANAGER: D. Burnell Cavender, AICP

the U.S. Bureau of Land Management (BLM) to assure a balanced land allocation amongst water conservation, mining of sand and gravel, wildlife habitat, recreation, and infrastructure uses (Please see the attached Concept Plan map). This cooperative project is now under contract to develop the environmental analysis and implementation documents. Representatives from the Corps of Engineers have advised that the DPR will be accomplished this fiscal year with available funding; however, the Corps of Engineers will need additional funds to prepare construction plans and specifications. Therefore, the Conservation District has requested Congressman Jerry Lewis to sponsor an addition to the FY 2004 Energy and Water Bill for $400,000 in the Section 1135, Environmental Restoration Program, for this very important project. Construction funding in the amount of $5.0 million will be sought in the FY 2005 appropriation. The total project estimate is $7.0 million. The Conservation District will fund the local share above $5.0 million.

We are extremely pleased about the enthusiasm of the Corps of Engineers for the Project. Our hope is to preserve the momentum that their support has generated and move towards completing this important groundwater conservation and environmental restoration project associated with construction of Seven Oaks Dam. We would, therefore, appreciate your support for this regionally significant Project by sending a letter to Congressman Lewis endorsing the need for the $400,000 appropriation in the FY 2004 budget, and follow on construction appropriation in the FY 2005 appropriation. A sample letter is attached for your consideration. If you believe it to be more appropriate, you may address a letter to the Conservation District, and we will advise Congressman Lewis of your support.

We appreciate your support of the Project. Should you need any additional information, please contact our General Manager, D. Burnell Cavender, at 909-793-2503 or email at bcavender@sbvwcd.dst.ca.us.

Yours truly,

Sterling Woodbury

Sterling Woodbury, President
Board of Directors

Enclosures: Location Map
Seven Oaks Dam Borrow Pit Groundwater Conservation and Habitat Restoration Project
Land Management and Habitat Conservation Plan--Concept Plan Map
Sample Letter to Congressman Jerry Lewis

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
Established 1932

1630 West Redlands Boulevard, Suite A
Redlands, CA 92373-8032
(909) 793-2503
Fax: (909) 793-0188

P.O. Box 1839
Redlands, CA 92373-0581
Email: info@sbvwcd.dst.ca.us

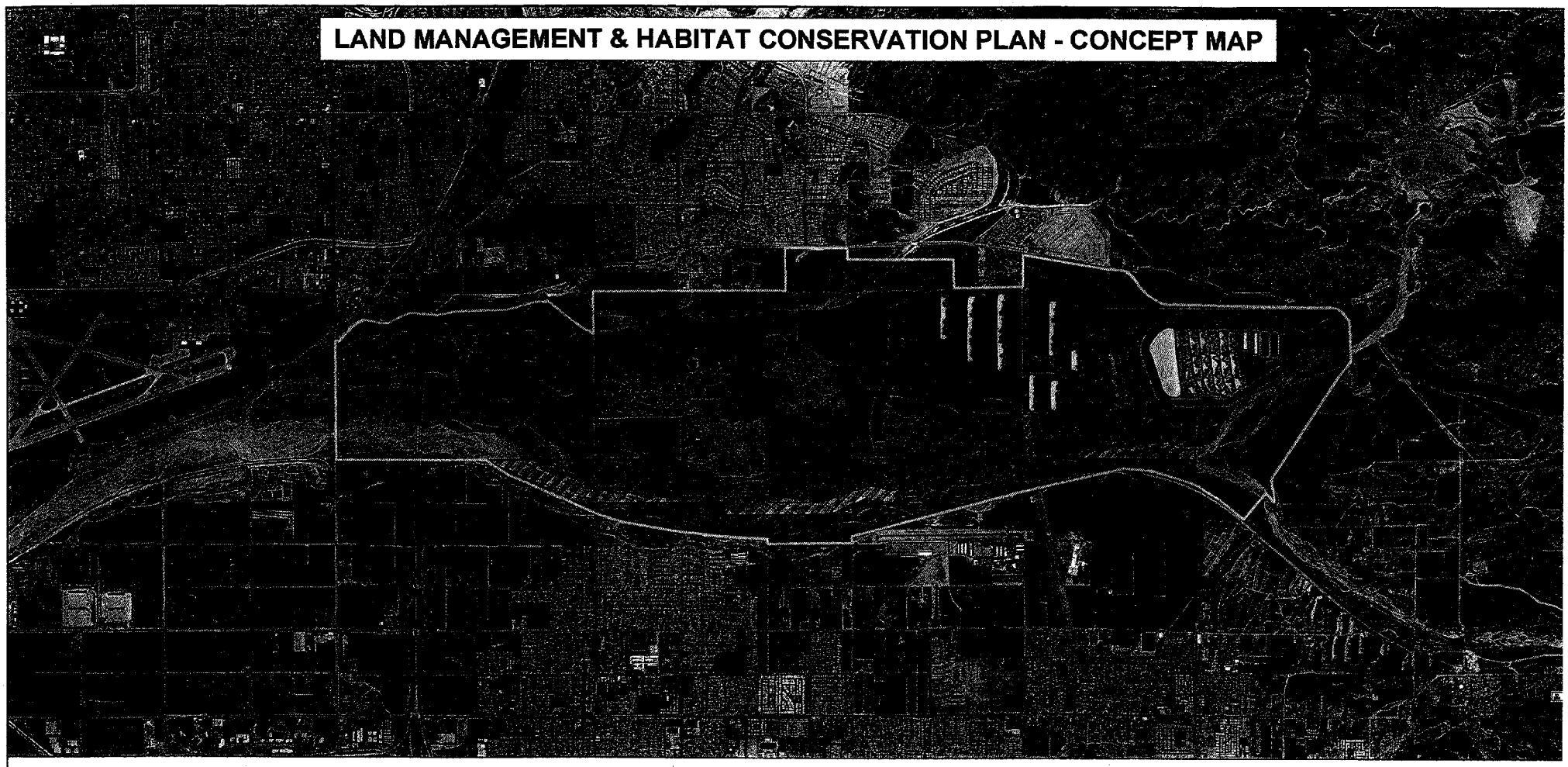
SEVEN OAKS DAM BORROW PIT

Groundwater Conservation and Habitat Restoration Project

PROJECT	DESCRIPTION	AMOUNT
1	South Canal	$1,200,000
2a	Perimeter Road	$200,000
2b	East Basins	$1,200,000
2c	North Basins	$1,200,000
2d	Middle Basins	$1,200,000
2e	South Basins	$1,400,000
2f	Surface Storage Basin	$300,000
2g	Surface Storage Feeder	$200,000
2h	Equipment Storage Area	$100,000
TOTAL		$7,000,000

BOARD OF DIRECTORS
Bert Marcum, Jr.
Clare Henry Day
Arnold L. Wright
Sterling Woodbury
Cheryl A. Tubbs
Melody Henriques
Manuel Aranda, Jr.
GENERAL MANAGER
D. Burnell Cavender, AICP

LAND MANAGEMENT & HABITAT CONSERVATION PLAN - CONCEPT MAP



Wash Plan Project Area
SOD Borrow Pit Restoration Area
Current SBVWCD Spreading Basins
Proposed SBVWCD Spreading Basins
Proposed Wash Plan Water Conservation
Proposed Wash Plan Habitat Conservation
Proposed Wash Plan Aggregate Mining
Proposed Wash Plan Flood Control
Current Woolly Star Preserve Area

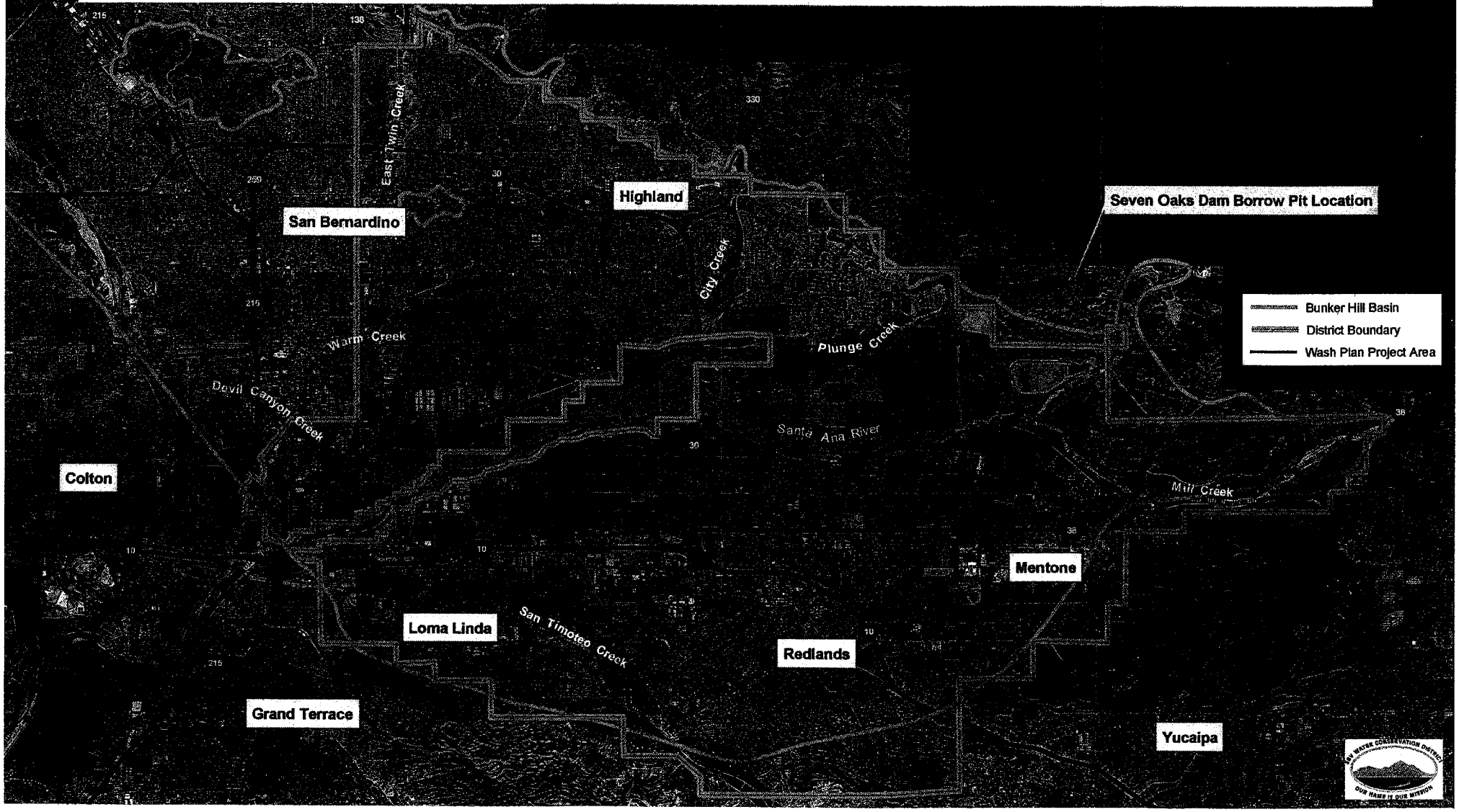
N

Feb 14, 2003

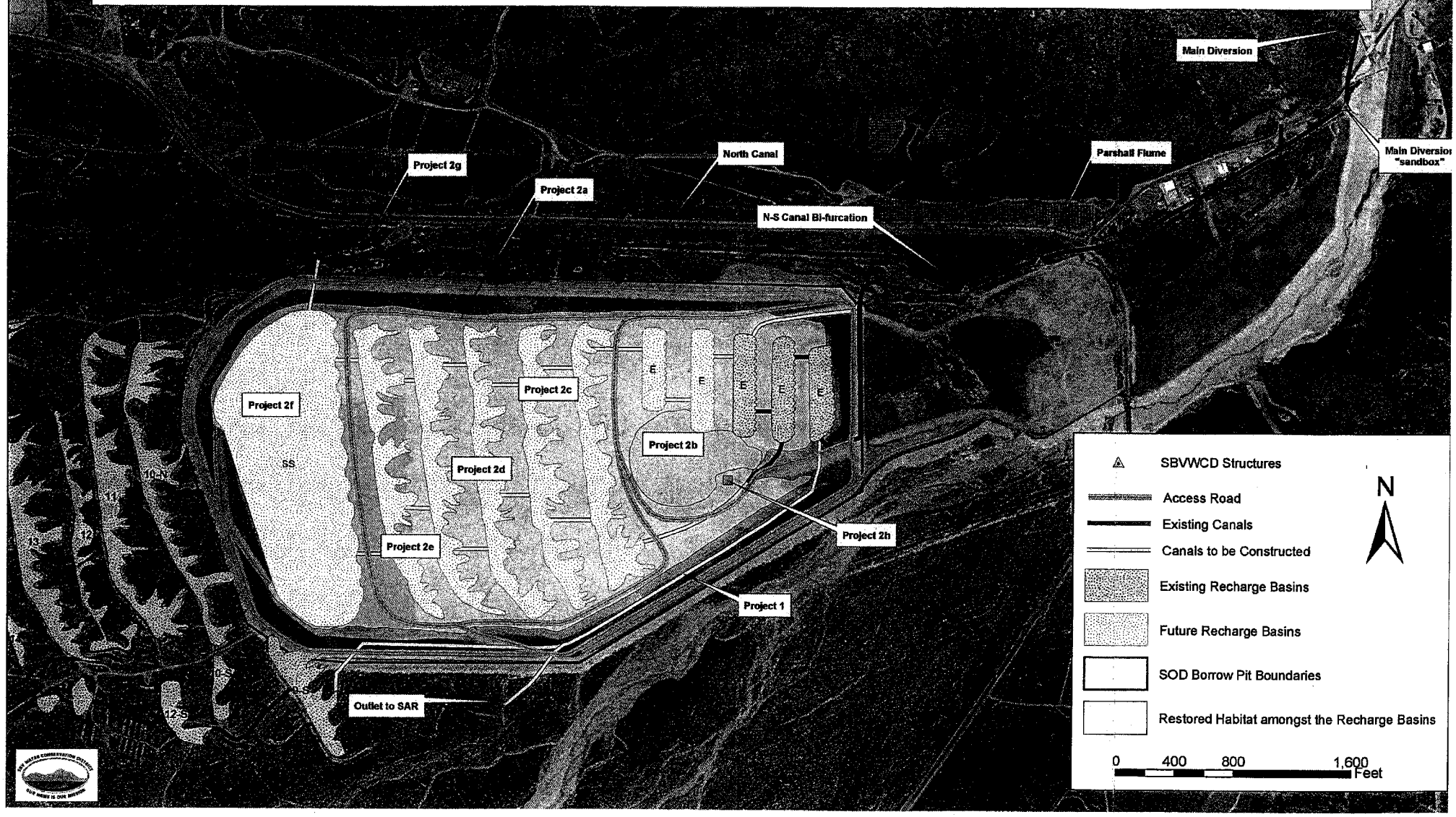
0 0.25 0.5 1 1.5 2
Miles

SBV WATER CONSERVATION DISTRICT
OUR NAME IS OUR MISSION

SEVEN OAKS DAM BORROW PIT GROUNDWATER CONSERVATION AND HABITAT RESTORATION PROJECT



SEVEN OAKS DAM BORROW PIT GROUNDWATER CONSERVATION & HABITAT RESTORATION PROJECT



AMENDED AGREEMENT FOR EMPLOYMENT OF GENERAL MANAGER

This AMENDED AGREEMENT FOR EMPLOYMENT OF GENERAL MANAGER ("Agreement") is entered into effective this 5th day of May, 2005, ("Effective Date") by and between the SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT, a public agency and water conservation district duly formed and existing under the Water Conservation Act, California Water Code sections 74000 *et seq.* ("District") and LAWRENCE LIBEU ("Employee") on the terms and conditions stated herein.

1. Employment of Employee

District hereby employs Employee, and Employee hereby accepts employment with District, as District's general manager. In his capacity as general manager of the District, Employee shall do and perform all services, acts, or things necessary or advisable to manage and conduct the business of the District. Employee shall devote his entire productive professional time, ability, and attention to the business of the District during the term of this Agreement. Employee shall not engage in any other paid professional duties or pursuits, or directly or indirectly render any services of a business, commercial, or professional nature to any other person or organization, whether for compensation or otherwise, without the prior written consent of District's Board of Directors. In addition, Employee shall not, directly or indirectly, either as an employee, employer, consultant, agent, principal, planner, stockholder, corporate officer, director, or any other individual or representative capacity, engage or participate in any business that is in competition or in conflict in any manner whatsoever with the business of the District. This Agreement shall not be interpreted to prohibit Employee from making passive personal investments, conducting private business affairs, or to pursue personal political activities, so long as such activities do not materially interfere with the services Employee is required to perform under this Agreement.

2. Scope of Services

Employee shall perform all of the managerial duties of the District, including, but not limited to, all of those duties set forth in Resolution No. 347, a copy of which is attached hereto as Exhibit A, and incorporated herein by reference, and as may be amended. Employee shall perform such other duties as may be necessary or beneficial to the District's operations, as the District's Board of Directors may determine or require. Employee agrees to fulfill and abide by the terms of Resolution No. 347, and by all of the other District's adopted policies and procedures.

3. Term of Agreement

Employee's employment with the District began May 5, 2003. For all purposes in this Agreement, May 5th shall be referred to as the "Anniversary Date." This Agreement shall become effective on the Anniversary Date in 2005, and shall remain effective for a period of one year. The Agreement shall thereafter automatically be renewed for successive one-year periods, unless otherwise terminated as provided hereunder by either party.

4. Termination or Separation

Employee is specifically employed on an "at will" basis. Employee's employment hereunder may be terminated at any time by a majority vote of the District's then-sitting Board of Directors, with or without cause. This Agreement may also be terminated by Employee upon no less than 30 days written notice to the President of the Board of Directors of the intent to resign, retire, or otherwise separate from employment with the District. In the event of such termination by Employee, Employee's employment shall be terminated at the end of the 30-day period, unless District's Board of Directors determines, in its sole discretion, to designate the operative date of the termination at an earlier date.

5. Salary

Employee shall be paid as determined by the Board of Directors, in accordance with District's standard payroll procedures. Employee's salary shall be $140,287.50 annually, effective from May 5, 2005 and will be reviewed annually thereafter. It shall be Employee's responsibility to bring the annual review and adjustment to the Board for consideration. Employee's entitlement to payment of salary shall accrue only to the extent of time actually spent in the employment of the District, or to the extent of accrued vacation or sick leave as otherwise provided herein. Employee's performance reviews by the District's Board of Directors shall serve as the basis for any adjustments to Employee's salary or other benefits.

6. Uniqueness of Services

Employee represents and agrees that the services to be performed by this Agreement are special, unique, unusual, extraordinary, and of an intellectual character, that gives him a peculiar value to the District, the loss of which cannot be reasonably or adequately be compensated for in monetary damages.

7. Vacation

Beginning on the Effective Date, Employee shall accrue vacation at a rate of 1.66 days per month of completed employment. At no time, however, shall Employee accrue vacation in excess of thirty (30) days. In the event that Employee's total accrued vacation totals 30 days, Employee shall thereafter cease to accrue additional vacation until accrued vacation is taken, and the total number of vacation days drops below 30 days.

8. Sick Leave

Sick leave is a protection to Employee granted by District to assist Employee in times or circumstances of adversity, and is intended to serve as a protection for Employee's health and welfare; it is not an earned right to time off of work. Employee shall be entitled to accrue sick leave at a rate of one (1) day per month of completed employment. Any sick leave which has accrued but is unused by Employee at the time of termination of Employee's employment shall be treated in the same manner as sick leave upon termination for District's employees, as provided for in the District's Employee Handbook in effect at the time of Employee's termination of employment.

9. **Administrative Leave Time** Immediately upon initiation of Employee's employment, and upon each Anniversary Date thereafter, Employee shall accrue forty (40) hours of paid Administrative Leave time. Administrative Leave may be taken by Employee to attend to matters of a personal nature, and may be taken at any time Employee's duties otherwise permit, provided, however, that Employee may not take more than sixteen hours consecutively of Administrative Leave without the prior consent of the District's Board of Directors. Any unused Administrative Leave time remaining at the end of any given year of employment shall not carry over to the consecutive year of employment. Administrative Leave time is in addition to holidays the District observes, as set annually by the District's Board of Directors. Employee shall not be entitled to compensation of any type for unused, accrued Administrative Leave upon termination of Employee's employment with District.

10. **Automobile**

Employee shall use his own vehicle for all District uses. Employee shall be responsible for the costs of fuel, maintenance, and repairs on such automobile. In lieu of the District providing Employee a District automobile for Employee's use, Employee shall be paid an automobile allowance of $800 per month. Employee shall be responsible for any income tax or other taxes resulting from District's automobile allowance payment.

11. **Other Benefits**

Employee shall be provided medical, dental, and vision benefits under District's medical and health insurance policies in effect as of the Effective Date, at District's expense, and as such medical and health insurance benefits may change through action of the District's Board of Directors, over the course of Employee's employment. In addition, Employee shall be provided with retirement benefit contributions covering both the employer and employee cost at District's expense under District's PERS retirement plan participation, at the rate in effect on the Effective Date, and as may be thereafter be amended or further defined by District's Board of Directors.

12. **Expense Reimbursements**

Employee may receive reimbursement for expenses incurred by Employee in the direct prosecution of the District's business, as may be approved by the District's Board of Directors. Such expenses may be reimbursed regularly as they are incurred, and submitted to the Board monthly for ratification, or otherwise processed in compliance with any policies or procedures the District's Board of Directors has adopted or may adopt, which are applicable to the General Manager. In all cases, final approval of all such expenses rests with the District's Board of Directors.

13. **Severance Payment Upon Termination Without Cause**

Upon termination or other separation from employment with the District, Employee shall be paid all accrued salary and benefits, including a pro rata monthly amount for any partial year, and for all accrued, unused vacation and reimbursable sick leave. If Employee's employment is terminated by District's Board of Directors without cause, Employee shall, in addition to the compensation to be paid on termination as provided above, be entitled to a lump sum severance payment equivalent to six full months of Employee's then-current annual salary rate, excluding

benefits. Upon termination or separation, Employee shall turn over to the District all District's property, including, but not limited to, any automobile, credit cards, computer hardware or software, and all files, reports, or presentation materials.

14. Integration

This Agreement contains the entire agreement between the District and Employee, and supersedes any and all prior negotiations, representations, or agreements, oral or written or otherwise. This Agreement may only be modified by an instrument in writing signed by both parties, and approved by District's Board of Directors.

15. Waiver

The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this Agreement by any other party shall not be deemed the waiver of that term, covenant, or condition, nor shall waiver or relinquishment of any right or power at any one time or times be deemed to waiver or relinquishment of that right or power for all or any other times.

16. Governing Law

This Agreement is entered into, and is to be governed by, the laws of the State of California.

17. Severance

If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, unconstitutional or unenforceable, the remaining provision shall continue in full force and effect without being impaired or invalidated in any way.

18. Disability

In the event of Employee's disability at any time of employment with the District, Employee shall promptly apply for any and all disability benefits Employee is entitled to receive under then-applicable policies of short term disability, long term disability, or other insurance Employee has with District. To the extent disability benefits Employee is entitled to receive do not equate to Employee's full then-applicable salary, District shall grant to Employee additional sick leave in such amount as shall be required to maintain Employee's salary amount at its full, then-applicable rate. Employee may at any time apply all or part of accrued sick leave to any period of disability.

19. Effect of Amendment

This "Amended Agreement for Employment of General Manager" supercedes any and all prior agreements, written or oral, regarding the subject matter hereof.

SAN BERNARDINO VALLEY WATER
CONSERVATION DISTRICT

By: _____
Cheryl Tubbs, President
"District"

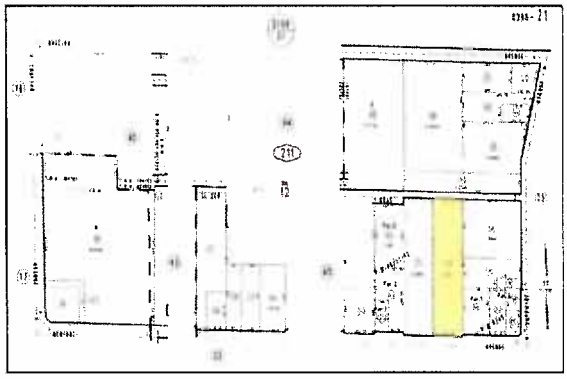
_____
LAWRENCE LIBEU
"Employee"

OPINION OF VALUE

Assessor Parcel Number(s):
0298-211-20-0000

Property Owner:
SAN BERNARDINO VLY WATER CONS

Property Address:
2181 MENTONE BLVD.
MENTONE, CA 92359-9594



Mailing Address:
101 E. REDLANDS BLVD., STE 247
REDLANDS, CA 92373-4725

Estimated Property Value: ***$650,000 to $690,000***

Land Use: SFR

Lot Size (Sq. Ft.): 104,544

Building Size (Sq. Ft.): 2,031

Number of Units:

Legal Description: STRETCH MAP MENTONE E 1/2 W 1/2 LOT 5 BLK 12 2.39 AC

Comments: MOST OF THE VALUE IS IN THE LAND HOWEVER, AN ADJUSTMENT WAS MADE FOR THE STRUCTURE.

	COMP 1	COMP 2	COMP 3
Address:	2464 Mill Creek	1085 Resevoir	28345 Live Oak
Close of Escrow:	4/6/2006	4/10/2006	5/10/2006
Lot (Sq. Ft.):	52,620	86,310	208,216
Building (Sq. Ft.):	939	468	2,307
Sale Price:	$340,000	$460,000	$649,950
Price (Sq. Acre):	$283,333.00	$232,323.00	$135,982.00

LIMITATIONS OF REPORT
This report does not constitute an appraisal as defined by the American Institute of Real Estate Appraisers nor does it comply with the Uniform Standards of Professional Appraisal Practice. As such, it should not be used for acquisition purposes. This report is intended to serve as a project planning and budgeting tool

OVERLAND PACIFIC & CUTLER, INC.

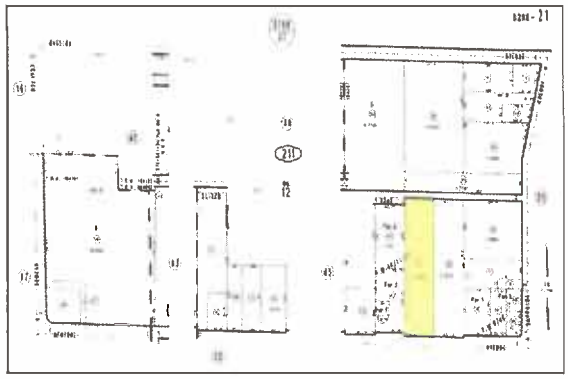
OPINION OF VALUE

Assessor Parcel Number(s):
0298-211-21-0000

Property Owner:
SAN BERNARDINO VLY WATER CONS

Property Address:

REDLANDS, CA 92373-4725



Mailing Address:
101 E. REDLANDS BLVD., STE 247
REDLANDS, CA 92373-4725

Estimated Property Value: ***$550,000 to $590,000***

Land Use: VACANT LAND (NEC)

Lot Size (Sq. Ft.): 104,108

Building Size (Sq. Ft.):

Number of Units:

Legal Description: STRETCH MAP MENTONE W 1/2 W 1/2 LOT 5 BLK 12 2.39 AC

	COMP 1	COMP 2	COMP 3
Address:	2464 Mill Creek	1085 Resevoir	28345 Live Oak
Close of Escrow:	4/6/2006	4/10/2006	5/10/2006
Lot (Sq. Ft.):	52,620	86,310	208,216
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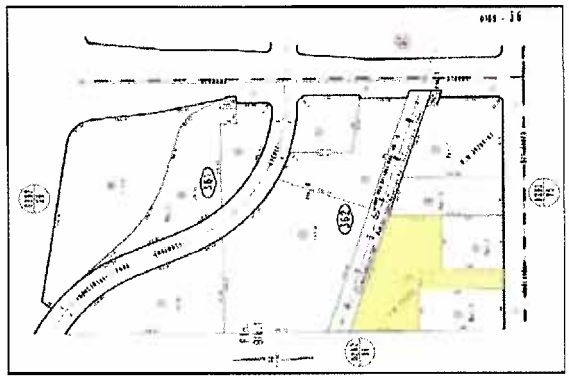
OVERLAND PACIFIC & CUTLER, INC.

OPINION OF VALUE

Assessor Parcel Number(s):
0169-362-18-0000

Property Owner:
SAN BDNO VALLEY WATER CONSERV

Property Address:
1630 W. REDLANDS BLVD.
REDLANDS, CA 92373-8032



Mailing Address:
P.O. BOX 1839
REDLANDS, CA 92373-0581

Estimated Property Value: ***$1.8 to 2.2 Million***

Land Use: SHOPPING CENTER

Lot Size (Sq. Ft.): 52,707

Building Size (Sq. Ft.): 15,536

Number of Units: 11

Legal Description: PARCEL MAP NO 8444 PARCEL 1

	COMP 1	COMP 2	COMP 3
Address:	1675 Mt. Vernon	1248 Mt. Vernon	1722 E. Highland
Close of Escrow:	4/1/2006	6/15/2006	2/1/2006
Lot (Sq. Ft.):	122,403	17,700	12,250
Building (Sq. Ft.):	21,250	12,410	7,250
CAP Rate:	9.5%	15%	7.5%
Net Income:	$259,000.00	$180,000.00	$63,591.00
Sale Price:	$2,750,000.00	$1,200,000.00	$850,000.00
Price (Sq. Ft.):	$129.41	$96.70	$117.25
Net Rent (Sq. Ft.):	$1.02	$0.85	$0.73

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OVERLAND PACIFIC & CUTLER, INC.