

**REGIONAL WATER AUTHORITY
EXECUTIVE COMMITTEE AGENDA
Wednesday, August 17, 2011; 8:30 a.m.
5620 Birdcage Street, Suite 110
Citrus Heights, CA 95610
(916) 967-7692**

The public shall have the opportunity to directly address the Board on any item of interest before or during the Board's consideration of that item. Public comment on items within the jurisdiction of the Board is welcomed, subject to reasonable time limitations for each speaker. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the Authority's Administrative Office at the address listed above. In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the Executive Director of the Authority at (916) 967-7692. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

- 1. CALL TO ORDER AND ROLL CALL**
- 2. PUBLIC COMMENT:** Members of the public who wish to address the committee may do so at this time. Please keep your comments to less than three minutes.
- 3. CONSENT CALENDAR**
 - Minutes of the July 27, 2011 Executive Committee meeting.
Action: Approve Consent Calendar items.
- 4. ACWA JPIA LEASE AGREEMENT**
Action: Recommend Full Board Approval to Enter into a Lease Agreement with ACWA JPIA.
- 5. INTEGRATED REGIONAL WATER MANAGEMENT PLAN UPDATE**
Action: Recommend Approval of Amendment 2 to the Regional Water Master Plan and Operational System Program Project Agreement.

Action: Provide direction to staff on next steps to take with RWA Board.
- 6. OTHER POST EMPLOYMENT BENEFITS (OPEB) PRE-FUNDING PROGRAM USING THE CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST**
Information Presentation: John Woodling, RWA Executive Director.
- 7. SEPTEMBER 8, 2011 RWA BOARD MEETING AGENDA**
Action: Approve September 8, 2011 proposed RWA Board meeting agenda.

8. **CLOSED SESSION UNDER GOVERNMENT CODE SECTIONS 54954.5(E) AND (F), 54957 AND 54957.6 TO DISCUSS THE EXECUTIVE DIRECTOR'S PERFORMANCE REPORT AND CONFER WITH THE EXECUTIVE DIRECTOR REVIEW COMMITTEE**
9. **REPORT FROM CLOSED SESSION**
Action: Recommend RWA Board Approval of the Executive Director Review Committee's performance report of the RWA Executive Director.
10. **EXECUTIVE DIRECTOR'S REPORT**
 - a) Government Affairs Update
 - b) Public Relations Program Update
 - c) Water Forum Update
 - d) RWA Outreach
11. **DIRECTORS' COMMENTS**

ADJOURNMENT

Upcoming meetings:

Upcoming Executive Committee Meetings – Wednesday, September 28, 2011 and Wednesday, October 26, 2011; 8:30 a.m.; RWA office.

Next RWA Board of Directors' Meeting – Thursday, September 8, 2011, 9:00 a.m.; Carmichael Water District.

August 17, 2011

AGENDA ITEM 3: CONSENT CALENDAR

The draft minutes from the Executive Committee meeting held July 27, 2011.

Action: Approve Consent Calendar Items.



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

**Regional Water Authority
Executive Committee Meeting
Draft Minutes
July 27, 2011**

1. CALL TO ORDER

Chair George called the meeting of the Executive Committee to order at 8:30 a.m. Individuals in attendance are listed below:

Executive Committee Members

Ron Greenwood, Carmichael Water District
Bob Churchill, Citrus Heights Water District
Marty Hanneman, City of Sacramento
Bill George, El Dorado Irrigation District
Paul Schubert, Golden State Water Company
Kerry Schmitz, Sacramento County Water Agency
Rob Roscoe, Sacramento Suburban Water District
Pam Tobin, San Juan Water District

Staff Members

John Woodling; Rob Swartz; Nancy Marrier; Cecilia Partridge and Monica Garcia.
Ryan Bezerra, RWA Legal Counsel

Others in Attendance

Jim Peifer. Nicole Krotoski participated via conference phone.

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

The draft minutes from the Executive Committee meeting held May 25, 2011.

Motion/Second/Carried (M/S/C) Mr. Roscoe moved, with a second by Mr. Hanneman, to approve the consent calendar.

4. EXECUTIVE DIRECTOR EVALUATION COMMITTEE

Bill George gave an update from the Executive Director Evaluation Committee. Committee members include Bill George, El Dorado Irrigation District; Randy Marx, Fair Oaks Water District; Pam Tobin, San Juan Water District; and Jim

Peifer, City of Sacramento. The Committee met on June 20, 2011 to review the process and decide on a schedule. They requested feedback from board members of RWA and SGA, as well as staff, by July 15, 2011. A meeting is scheduled immediately following the Executive Committee meeting for the members to review the feedback and assemble a preliminary evaluation. The Committee will meet again on August 4th with the Executive Director and the results will be brought back to the RWA Executive Committee at the August meeting and also be brought to the full board in September.

5. OTHER POST EMPLOYMENT BENEFITS (OPEB) PRE-FUNDING PROGRAM USING THE CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST

Mr. Woodling announced that CalPERS has made changes to the CERBT trust that would require RWA to choose one of three strategies rather than a single default rate. Included was a handout that showed a comparison of 2011 OPEB valuation results for different asset allocation strategies with an "illustration using expected trust assets" and another handout with an "illustration using higher-than-expected trust assets".

Ms. Krotoski participated via phone giving a background history of RWA's adoption of OPEB, funding history, CERBT investment strategies that CalPERS is making changes to, alternative choices and the next steps. GASB 45 required employers that provide retiree health benefits to recognize those future costs over the expected employment life. RWA adopted GASB 45 before June 30, 2009, and paid liabilities from prior employment in full. Future employment liabilities, which vary each year, are paid annually (annual required contribution (ARC)). RWA selected California Employer's Retiree Benefit Trust (CERBT), managed by CalPERS staff, as the trust vehicle. The volatility of the market has caused CERBT to look at alternative investment strategies. Three strategic investment choices were offered, each with a different asset allocation mix. Each strategy uses the same assets, just varying degrees of participation in each asset class. Ms. Krotoski offered alternative funding ideas. CERBT does NOT guarantee the strategy results. If RWA does nothing, they will be automatically placed in strategy 1.

Mr. Woodling reminded the board that 40% of the liability is an SGA liability. With the exception of the Water Efficiency Program, the remaining employees split their time 50/50 with RWA and SGA. Mr. Woodling said that Bickmore Risk Services is contracted to complete a full actuarial analysis that is required every two years. They can analyze the three scenarios at the same time giving more detail. Ms. Krotoski clarified that she is NOT an investment expert.

Mr. Hanneman asked if RWA should make this choice every year or every few years. Mr. Woodling proposed that RWA default to strategy 1 at this time, obtain more detailed information, and then make an informed decision when we consider next year's budget. There was discussion on the comparisons of 2011 OPEB valuation results for different asset allocation strategies and how often choices

can or should be made. The Executive Committee requested staff invite a CalPERS representative to give a presentation on the three strategic investment choices at the next Executive Committee meeting before a determination is made for recommendation to the RWA Board. We can make this change when we are ready and it is effective in the next quarter. There was no action taken at this time.

6. INTEGRATED REGIONAL WATER MANAGEMENT PLAN UPDATE

Rob Swartz reported that RWA staff and the consulting team are currently working on the comprehensive update to the American River Basin Integrated Regional Water Management Plan (IRWMP) with a planned adoption date of January 2013. When the project initially launched in April 2004, it was set up as part of a cost-share agreement with the U.S. Army Corps of Engineers (USACE) utilizing a \$1.95 million allotment from Water Resources Development Act (WRDA) from 1999. Due to economic conditions over the past several years, much of the WRDA funding was never appropriated and the IRWMP project began using other sources of funding to match local funds (e.g., Prop 50 planning grant, USBR SOR grant, Prop 84 planning grant). On April 25, 2011, USACE notified RWA that the cost-share agreement has been officially concluded. The total federal share over the span of the program was \$698,086.77, which matched with a local contribution of \$232,695.59 for a total project expenditure of \$930,782.36.

Mr. Swartz said that we have signed a Proposition 84 planning grant agreement that has been submitted for execution. This is an additional source of funds that will keep the program moving. When the updated IRWMP is adopted in January 2013, we expect to have somewhere between \$80,000 to \$100,000 cash in the project. The conclusion of the USACE cost share caused RWA staff to fundamentally review the nature of the existing IRWMP project agreement. During the review of the existing project, staff recognized that this is a good opportunity to consider transitioning the program from a subscription-based project to a core RWA function because it helps overcome a concern expressed in the past, the source of funds to be raised to continue the project.

Mr. Swartz said that staff and the project committee recommend that this issue be discussed at the September 2011 full RWA Board meeting. There was discussion by the Executive Committee on the benefit to members supporting the IRWMP and members receiving benefits from the program without any program support. Mr. Woodling suggested that we have the opportunity to make the IRWMP a core program without answering all the funding questions at this time. Staff was directed to bring back to the Executive Committee a detailed amendment for further discussion at the next meeting.

7. TASK ORDER WITH CKB CONSULTING FOR IRWMP UPDATE

RWA is currently working on a comprehensive update to the American River Basin IRWMP. One of the most important current efforts is the establishing of a vision, goals, objectives, and principles for the IRWMP. To accomplish this, RWA

has greatly expanded the number of stakeholders involved in the process. RWA has not had significant interaction with many of these stakeholders in the past, so RWA hired Carmel Brown of CKB Consulting at the direction of the IRWMP project committee in 2010 to facilitate communication with these groups and to assist in developing vision, goals, objectives and principles.

CKB Consulting has been instrumental in building better relationships with these stakeholders and with assisting in representing their viewpoints in the update effort. Staff has utilized CKB Consulting for a total of \$20,000 in previous task orders and estimates an additional \$20,000 in assistance for the plan update. The work is funded through grants and the IRWMP project, so there is no fiscal impact to RWA. Because of the small size of the remaining work, the need to continue quickly with ongoing work and the demonstrated excellent level of work from CKB Consulting on past stages of the project, staff is requesting that the Executive Committee waive Policy 300.2 for consulting services selection.

There was direction for staff to look at the current policies to update as needed and revisit every two years. It was requested that the RWA policies be made available to members through the website.

M/S/C Mr. Hanneman moved, with a second by Ms. Tobin, to authorize Executive Director to execute task orders with CKB Consulting with a not-to-exceed amount of \$20,000 and waive Policy 300.2 for Consultant/Professional Services Selection.

8. WATER EFFICIENCY PROGRAM OUTREACH PRESENTATION

At the June 14, 2011 Regional Water Efficiency Program meeting, participants voted to approve the FY 2011-12 WEP Business Plan, which outlines a plan to fully implement the CUWCC Foundational BMP 2 education requirement and assist participating agencies in implementing and promoting Programmatic BMP's 3 and 5, while satisfying additional requirements for the Outreach BMP. The plan includes working with a landscape consultant and the Landscape Committee to update the Water Wise Gardening web site, conduct the Green Gardener Training Program, partner with the UC Cooperative Extension for homeowner and Master Gardener workshops, host a booth at the Sacramento Landscape and Nursery Expo, and conduct another successful Turf Management Workshop in partnership with the Sacramento River Cats. This year's landscape budget will be supplemented by approximately \$9,000 in grant funding through an EPA grant, which will primarily fund the Green Gardener Training Program.

Staff is requesting to use Landscape Liaisons for landscape technical assistance and implementation of the 2012 Green Gardener Training Program because of the past year's program experience. On June 23, 2011 the Landscape Committee approved a draft scope of services provided by Landscape Liaisons.

Past contract support exceeds \$20,000; so staff is requesting to waive RWA Policy 300.2 for the following reasons:

- The WEP Landscape Committee voted to use the existing consultant and approved the draft scope of services for 2012.
- Landscape Liaisons has provided support on time and within budget.
- Landscape Liaisons has the highest level of demonstrated WEP and Green Gardener knowledge and expertise.

M/S/C Mr. Roscoe moved, with a second by Ms. Tobin, to authorize the Executive Director to execute task order with Landscape Liaisons with a not-to-exceed amount of \$15,000 and waive Policy 300.2 for Consultant/Professional Services Selection.

9. ACWA LEASE AGREEMENT

ACWA JPIA has relocated their office space to Roseville. RWA has been on a month to month lease while they have been in transition. Staff has been negotiating a new lease agreement. The new lease provides for improvements to the existing office to accommodate the new staff. The lease would also provide for refurbishing and full time access to the board room. The monthly lease payments would remain at the current rate that was negotiated in 2004. The new rate is estimated at approximately 77 cents per square foot. The lease agreement has been reviewed and approved by legal counsel and ACWA JPIA.

There was discussion that it may be prudent to request that ACWA/JPIA add an amendment to the proposed lease including SGA on the lease for use of the board room before recommending to the full board for approval to enter into a lease agreement. Additionally, direction was given to staff to research the possibility of subletting the board room to agencies other than RWA members. These results will be provided to the Executive Committee at the August meeting for action.

10. EXECUTIVE DIRECTOR'S REPORT

Government Affairs Update – Mr. Woodling gave a brief overview of some bills of interest. SB 834 (Wolk) regarding IRWM Planning raises concerns of expanding the interpretation of the concept of reducing reliance on the Delta watershed. Federal legislation, HR 1837 (Nunes), would limit the responsibility of the CVP and SWP in meeting requirements of the endangered species act. The bill would also preempt state water rights law, potentially undermining water rights priorities and area-of-origin protections. Mr. Woodling has met with Congresswoman Matsui and staff regarding this bill, and has ongoing discussion with other upstream water rights holders, including NCWA, EBMUD and SFPUC. Most organizations have not taken formal positions on the legislation, although NCWA has been circulating proposed amendments to ensure protection of water

rights for northern California. The bill is currently in the Water and Power Subcommittee of the House of Representatives.

The Delta Stewardship Council will meet July 28th and 29th to consider the fifth staff draft of the Delta Plan. The Council will provide direction to staff to guide preparation of the public release draft and administrative draft of the EIR, which is expected to be released in August. RWA will comment on the public release draft, in addition to maintaining our involvement in the ACWA efforts on the Delta Plan.

Several members of the Government Affairs Committee have suggested that it is time for RWA to reconsider the “unanimous consent” provisions of the RWA joint powers agreement. There was discussion asking if RWA could get a policy position that would allow RWA to take a position if unanimous consent was not obtained. Some members have said that they would like the option to abstain to give RWA cover to take a position. Mr. Woodling said that the government affairs committee would discuss this at their next meeting and bring it to the Board at their September meeting.

Public Relations Program Update – Mr. Woodling said that fifteen RWA members and associates are now participating in the Public Relations program. A core group of individuals to carry out much of the outreach has been formed. Over the course of the next several months this group will seek to brief city councils, county boards of supervisors, local chambers of commerce, and other groups on the Delta and potential impacts to our region. Mr. Woodling said that the core group for outreach includes a small group and anyone who would like to join this core group is welcome. Additionally, Mr. Woodling would like to brief the board of directors of each RWA member agency. Core Delta messages, a leave-behind document, and a standardized PowerPoint presentation are being developed for this purpose. Mr. Woodling has been meeting with SACOG staff, NCWA and others to coordinate a regional coalition.

Water Forum Update – Mr. Woodling said that the Water Forum staff and consultants presented the results of CALSIM modeling of the water supply impacts of implementation of the lower American River flow standard at the Water Caucus meeting on July 13, 2011. In separate presentations the environmental and business caucuses were briefed. Water Caucus members requested some additional analyses of the already conducted modeling runs, which the consultants believe can be completed before the August Water Caucus meeting.

RWA Outreach – Mr. Woodling briefed the Woodland-Davis Clean Water Agency after they expressed interest in RWA membership. Mr. Woodling also met with the general manager of Elk Grove Water District regarding possible RWA membership.

Mr. Woodling reported that Tom Clark passed away this week. Mr. Clark was one of the people who made the water business interesting.

11. DIRECTORS' COMMENTS

Ms. Tobin reported that San Juan Water District held their groundbreaking ceremony for the installation of solar panels. There is potential savings of \$12 million over the life of the program. They received a \$1.9 million rebate check for the project. The energy that has been produced from the project is 105% of normal.

Mr. Greenwood reported that Sandy Kozlen is retiring. Mr. Greenwood said that Mr. Kozlen always brought an element of color and challenged us all. There will be several events to honor Mr. Kozlen.

Mr. Schubert reported that Golden State Water Company has filed a new Governance, Risk Management, and Compliance (GRC) application.

Mr. Roscoe reported that Pankaj Parekh, the Director of Water Quality for the Los Angeles Department of Water and Power and a member of the ACWA State Board of Directors was in a motorcycle accident and will be recovering for a long time.

Mr. Woodling introduced Monica Garcia as RWA's newest staff member. Ms. Garcia will be working with the Water Efficiency Program, SGA and RWA.

ADJOURNMENT

With no further business to come before the Board, Chair George adjourned the meeting at 10:53 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer

August 17, 2011

AGENDA ITEM 4: ACWA JPIA LEASE AGREEMENT

BACKGROUND:

ACWA JPIA has relocated their office space to Roseville. RWA has been on a month to month lease while they have been in transition. Staff has been negotiating a new lease agreement, which provides for improvements to the existing office to accommodate the new staff. The lease would also provide for refurbishing and full time access to the board room. The monthly lease payments would remain at the current rate that was negotiated in 2004. The new rate is estimated at approximately 77 cents per square foot. The attached lease agreement has been reviewed and approved by legal counsel and ACWA JPIA.

In follow up discussion with ACWA JPIA, they have agreed to allow SGA to be a joint user of the board room, as well as allowing "limited" use of the board room to member agencies. They will not allow us to sublet the space to other groups.

STAFF RECOMMENDATION:

Action: Recommend Full Board Approval to Enter into a Lease Agreement with ACWA JPIA.

**LEASE FOR OFFICE AND CONFERENCE ROOM SPACE BETWEEN
THE REGIONAL WATER AUTHORITY
AND THE ASSOCIATION OF CALIFORNIA WATER AGENCIES/JOINT
POWERS INSURANCE AUTHORITY**

1. PARTIES.

This Lease is made effective this September 1, 2011, by and between the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) (hereinafter referred to as "Landlord") and Regional Water Authority (herein referred to as "Tenant").

2. PREMISES.

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, on the terms and conditions hereinafter set forth that certain real property and the building and other improvements located thereon situated in the City of Citrus Heights, County of Sacramento, State of California, commonly known as Suites ~~1190~~ and ~~1480~~ of 5620 Birdcage Street and described as approximately 2,695 square feet per the attached summary map of premises (said real property is hereinafter called the "Premises"). Suite 180 comprises Tenant's business offices and Suite 110 is the conference room across the hallway from Suite 180.

3. TERM.

The term of this Lease shall be for eighty four (84) months, commencing on September 1, 2011, and ending on August 31, 2018, unless terminated sooner as hereinafter provided. No option to renew or extend this Lease is contemplated.

4. RENT.

Tenant shall pay Landlord as rent for the Premises the following sums per month, in advance on the first day of each month during the term of this Lease; the sum of two thousand eighty and 62/100 (\$2,080.62) dollars per month. Unless otherwise agreed in writing, Landlord shall not increase the monthly rental amount during the term of this Lease.

5. SECURITY DEPOSIT.

Tenant has on deposit with Landlord the sum of \$1,665.00 as a security deposit for the Tenant's faithful performance of the provisions of this Lease. If Tenant fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Landlord may use the security deposit, or any portion of it, to cure the default or compensate Landlord for all damages sustained by Landlord resulting from Tenant's default. Tenant shall immediately on demand pay to Landlord the sum equal to that portion of the security deposit expended or applied by Landlord which was provided for in this paragraph so as to maintain the security deposit in the sum initially deposited with Landlord. Landlord shall not be required to keep the security deposit separate from its general account nor shall Landlord be required to pay Tenant any interest on the security deposit. If Tenant performs all of Tenant's obligations under this Lease, the security deposit or that portion thereof which has not previously been applied by the Landlord, shall be returned to Tenant within fourteen (14) days after the expiration of the term of this Lease, or after Tenant has vacated the Premises, whichever is later.

6. USE.

(a) Tenant shall use the Premises only for Regional Water Authority's authorized and customary purposes and for no other purpose without the Landlord's prior written consent. Landlord acknowledges and agrees that Tenant and the Sacramento Groundwater Authority (SGA) are jointly administered from the Premises by the same staff and that Tenant's authorized and customary uses therefore include SGA's use of the Premises, including the conference room, for SGA activities and meetings.

(b) Tenant shall not do, bring or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises or the building in which the Premises are located. If the rate of any insurance carried by the Landlord is increased as a result of the Tenant's use, Tenant shall pay to Landlord within ten (10) days after written demand from Landlord, the amount of any such increase. Tenant shall comply with all laws concerning the Premises or Tenant's use of the Premises, including without limitation, the obligation at Tenant's cost to alter, maintain, or restore the Premises in compliance and conformity with all laws relating to the condition, use, or occupancy of the Premises by Tenant during the term of this Lease.

Tenant shall not use or permit the use of the Premises in any manner that will tend to create waste or a nuisance or, if there shall be more than one Tenant of the building containing the Premises, which shall unreasonably disturb any other Tenant.

(c) Tenant hereby accepts the Premises in their condition existing as of the date the Tenant possesses the Premises, subject to all applicable zoning, municipal, county and state laws, ordinances, regulations governing or regulating the use of the Premises and accepts this Lease subject thereto and to all matters disclosed thereby. Tenant hereby acknowledges that neither the Landlord nor the Landlord's agent has made any representation or warranty to Tenant as to the suitability of the Premises for the conduct of Tenant's business.

(d) Tenant shall have the right to permit its member entities to occasionally use Suite 110 for meetings and events related to their authorized purposes or those of Tenant. Tenant's indemnification and insurance obligations hereunder shall apply to all such uses, and it shall be Tenant's sole responsibility to ensure that it obtains any necessary indemnities and insurance coverage from its members to protect Landlord against any liability arising out of or connected to such member meetings and events.

7. TAXES.

(a) Real Property Taxes.

Landlord shall be solely responsible for timely payment of all property taxes and assessments levied upon and owing on the property, and any such taxes and assessments are included in the rent and shall not result in any separate or additional charges on Tenant.

(b) Personal Property Taxes.

Tenant shall pay prior to the delinquency date all taxes assessed against and levied upon the trade fixtures, furnishings, equipment and other personal property of Tenant contained in the Premises. Tenant shall endeavor to cause such trade fixtures, furnishings and equipment and all other personal property to be assessed and billed separately from the property of the Landlord. If any of Tenant's said property shall be assessed with Landlord's property, Tenant shall pay to Landlord the taxes attributable to Tenant within ten (10) days after the receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's property.

8. UTILITIES.

Tenant shall make all arrangements and pay for all telephone services supplied to the Premises together with any taxes thereon and for all connection charges. Landlord pays charges for all other utility services and collects Tenant's share of such charges as part of the monthly rent described in Article 4 of this Lease.

9. MAINTENANCE AND REPAIRS.

(a) Landlord's Obligations.

Except as provided in Article 12, and except for damage caused by any negligent or intentional act or omission of Tenant, Tenant's agents, employees, or invitees, Landlord at its sole cost and expense shall keep in good condition and repair the foundations, exterior walls, and exterior roof of the Premises. Landlord shall also maintain the unexposed electrical, plumbing and sewage systems including, without limitation, those portions of the systems lying outside the Premises; window frames, gutters and down spouts on the building, all sidewalks, landscaping and other improvements that are a part of the premises or of which the Premises are a part. The Landlord shall also maintain the heating, ventilating and air-conditioning systems servicing the Premises. Landlord shall resurface and restripe the parking area on or adjacent to the Premises when necessary. Landlord shall have thirty (30) days after notice from Tenant to commence to perform its obligations under this Article 9 except that Landlord shall perform its obligations immediately if the nature of the problem presents a hazard or emergency situation. If the Landlord does not perform its obligations within the time limit set forth in this paragraph, Tenant can perform said obligations and shall have the right to be reimbursed for the amount the Tenant actually expends in the performance of Landlord's obligations. If Landlord does not reimburse Tenant within thirty (30) days after demand from Tenant, Tenant's sole remedy shall be to withhold from future rent the sums Tenant has expended until Tenant's costs are reimbursed in full.

(b) Tenant's Obligations.

Subject to the provisions of Sub-paragraph (a) above and Article 12, Tenant at Tenant's sole cost and expense shall keep in good order, condition and repair the Premises and every part thereof including, without limitation, all Tenant's personal property, fixtures, signs, interior plate glass, doors, and interior walls.

If Tenant fails to perform Tenant's obligation as stated herein, Landlord may at its option (but shall not be required to), enter the Premises, after ten (10) days prior written notice to Tenant, put the same in good order, condition and repair, and the costs thereof shall become due and payable as additional rental to Landlord together with Tenant's next rental installment. If Tenant fails to pay any such costs with the next rent payment, the outstanding sum shall accrue interest at the rate of ten (10%) percent per annum until paid in full.

10. ALTERATIONS AND ADDITIONS.

(a) Tenant shall not, without the Landlord's prior written consent, make any alterations, improvements or additions in or about the Premises except for non-structural work which does not exceed \$1,000.00 in cost. As a condition to giving any such consent, the Landlord may require the Tenant to remove any such alterations, improvements, or additions at the expiration of the term, and to restore the Premises to their prior condition by giving Tenant thirty (30) days written notice prior to the expiration of the term of such election. If Landlord so elects, Tenant at its sole cost shall restore the Premises to the condition designated by Landlord in its election before the last day of the term of the Lease.

Before commencing any work relating to the alterations, additions, or improvements affecting the Premises, Tenant shall notify Landlord in writing of the expected date of commencement of such work so that Landlord can post and record the appropriate notices on non-responsibility to protect Landlord from any mechanic's liens, materialman liens, or any other liens. In any event, Tenant shall pay, when due, all claims for labor and materials furnished to or for Tenant at or for use in the Premises. Tenant shall not permit any mechanic's liens or materialman's liens to be levied against the Premises for any labor or material furnished to Tenant or claimed to have been furnished to Tenant or Tenant's agents or contractors in connection with work of any character performed or claimed to have been performed on the Premises by or at the direction of Tenant. Tenant shall have the right to assess the validity of any such lien if, immediately on demand by Landlord, Tenant procures and records a lien release bond meeting the requirements of California Civil Code section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim (together with the costs of suit, if it is recovered in the action). If any alteration, addition or improvement affecting the Premises is public work, then the foregoing shall not apply and Landlord's and Tenant's rights shall be governed by the stop notice statutes, California Civil Code sections 3179 through 3214.

Unless the Landlord requires their removal as set forth above, all alterations, improvements or additions which are made on the Premises by the Tenant shall become the property of the Landlord and remain upon and be surrendered with the Premises at the expiration of the term. Notwithstanding the provisions of this paragraph, Tenant's trade fixtures, furniture, equipment and damage to the Premises, shall remain the property of the Tenant and removed by Tenant at the expiration of the term of this Lease.

11. INDEMNIFICATION AND INSURANCE.

(a) Tenant shall indemnify and hold harmless and defend Landlord, its directors, officers, employees, agents or volunteers, and each of them from and against:

(1) Any and all claims, demands, causes of action, damages, costs, expenses, losses or liabilities, in law or in equity, of every kind and nature whatsoever for, but not limited to, injury to or death of any person kind and nature whatsoever for, but not limited to injury or death of any person including Landlord and/or Tenant, or any directors, officers, employees, agents or volunteers of Landlord or Tenant, and damages to or destruction of property of any person, including but not limited to, Landlord and/or Tenant and their directors, officers, employees, agents, or volunteers, arising out of or in any manner directly or indirectly connected with the operation and use of the Premises under this Lease, however caused, regardless of any negligence of Landlord or its directors, officers, employees, agents or volunteers, except the sole negligence or willful misconduct of Landlord or its directors, officers, employees, agents or volunteers;

(2) Any and all actions, proceedings, damages, costs, expenses, penalties or liabilities, in law or equity, of every kind or nature whatsoever, arising out of, resulting from, or on account of the violation of any governmental law or regulation, compliance with which is the responsibility of Tenant.

Tenant shall defend, at Tenant's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against Landlord or Landlord's directors, officers, employees, agents or volunteers.

Landlord shall pay and satisfy any judgment, award or decree that may be rendered against Landlord or its directors, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding.

Tenant shall reimburse Landlord and its directors, officers, employees, agents and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided.

Tenant agrees to carry insurance for this purpose as provided below in paragraph (b). Tenant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the Landlord, or its directors, officers, employees, agents and/or volunteers.

(b) Tenant's Insurance.

Tenant shall procure and maintain for the duration of the Lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Tenant's operation and use of the Premises. The cost of such insurance shall be borne by the Tenant.

Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage ("occurrence" form CG 0001).
2. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
3. Property insurance against all risks of direct physical loss to any Tenant improvements or betterments.

Minimum Limits of Insurance

Tenant shall maintain limits no less than:

1. General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this location or the general aggregate limit shall be twice the required occurrence limit.
2. Employer's Liability: \$1,000,000 per accident for bodily injury or disease.
3. Property Insurance: Full replacement cost of Tenant's business personal property, improvements and betterments.

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the Landlord. At the option of the Landlord, either: the insurer shall reduce or eliminate such deductibles, or self-insured retentions as respects the Landlord, its directors, officers, employees, agents and volunteers; or the Tenant shall provide a financial guarantee satisfactory to the Landlord guaranteeing payment of losses and related investigations, claim administration and defense expenses.

Other Insurance Provisions

The general liability policy is to contain, or be endorsed to contain, the following provisions:

1. The Landlord, its directors, officers, employees, agents and volunteers are to be covered as additional insureds with respect to liability arising out of ownership, maintenance or use of the Premises.
2. The Tenant's insurance coverage shall be primary insurance as respects the Landlord, its directors, officers, employees, agents, and volunteers. Any insurance or self-insurance maintained by the Landlord, its directors, officers, employees, agents, or volunteers shall be excess of the Tenant's insurance and shall not contribute with it.

Cancellation

No insurance policy required by this clause shall be canceled, suspended, voided, nor reduced, in coverage or limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Landlord.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-VII.

Verification of Coverage

Tenant shall furnish the Landlord with original certification and amendatory endorsements effecting coverage required by this clause. All certification and endorsements are to be received and approved by the Landlord before the contract commences. The Landlord reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

Failure to Procure

If Tenant shall fail to procure and maintain such insurance, the Landlord may, but shall not be required to, procure and maintain same at the expense of Tenant and the cost thereof shall become due and payable as additional rental to Landlord together with Tenant's next rental installment. If Tenant fails to pay any such premiums with the next rent payment, the outstanding premium sum shall accrue interest at the rate of ten (10%) percent per annum until paid in full.

(c) Landlord's Insurance

Landlord shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Landlord's ownership of the leased premises and common areas. The cost of such insurance shall be borne by the Landlord.

Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage ("occurrence" form CG 0001).
2. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
3. Property insurance against all risks of direct physical loss to the building and improvements, other than Tenant's improvements or betterments.

Minimum Limits of Insurance

Landlord shall maintain limits no less than:

1. General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this location or the general aggregate limit shall be twice the required occurrence limit.
2. Employer's Liability: \$1,000,000 per accident for bodily injury or disease.
3. Property Insurance: Full replacement cost of the building, leased premises and common area improvements and betterments.

(d) Waiver of Subrogation.

Tenant and Landlord each waives any and all rights of recovery against the other, or against the directors, officers, employees, agents, and representatives of the other, for loss of or damage to such waiving party or its property or the property of others under its control, where such loss or damage is insured against under any insurance policy in force at the time of such loss or damage. Each party shall cause each insurance policy obtained by it hereunder to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by any such policy.

(e) Exemption of Landlord from Liability.

Except for Landlord's willful or grossly negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income therefrom or for damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers, or any other person in or about Premises; nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, where such damage results from conditions arising upon the Premises or upon other portions of the building in which the Premises are a part, or from any other sources of place. Landlord shall not be liable to Tenant for any damages arising from any act of neglect of any other Tenant, if any, of the building in which the Premises are located.

12. DAMAGE OR DESTRUCTION.

(a) Damage - Insured.

If, during the term of this Lease, the Premises and/or the building and other improvements in which the Premises are located are totally or partially destroyed rendering the Premises totally or partially inaccessible or unusable, and such damage or destruction was caused by a casualty covered under an insurance policy required to be maintained hereunder, Landlord shall restore the Premises and/or the building and other improvements in which the Premises are located into substantially the same condition as they were in immediately before such damage or destruction, provided that the restoration can be made under the existing laws and can be completed within one hundred twenty (120) working days after the date of such destruction or damage. Such destruction or damage shall not terminate this Lease.

If the restoration cannot be made in said 120 day period, then within fifteen (15) days after the parties hereto determine that the restoration cannot be made in the time stated in this paragraph, Tenant may terminate this Lease immediately by giving notice to Landlord and the Lease will be deemed canceled as of the date of such damage or destruction. If Tenant fails to terminate this Lease and restoration is permitted under the existing laws, Landlord, at its option, may terminate this Lease or restore Premises and/or any other improvements in which the Premises are located within a reasonable time and this Lease shall continue in full force and effect. If the existing laws do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party.

Notwithstanding the above, if the Tenant is the insuring party and if the insurance proceeds received by Landlord are not sufficient to affect such repair, Landlord shall give notice to Tenant of the amount required in addition to the insurance proceeds to affect repair. Tenant may, at Tenant's option, contribute the required amount, but upon failure to do so within thirty (30) days following such notice, Landlord's sole remedy shall be, at Landlord's option and with no liability to Tenant, to cancel and terminate this Lease. If Tenant shall contribute such amount to Landlord within said (30) day period, Landlord shall make such repairs as soon as reasonably possible and this Lease shall continue in full force and effect. Tenant shall in no event have any right to reimbursement for any amount so contributed.

(b) Damage - Uninsured.

In the event that the Premises are damaged or destroyed by a casualty which is not covered by the fire and extended coverage insurance which is required to be carried by the party designated in Article 11 (a) above, then Landlord shall restore the same; provided that if the damage or destruction is to an extent greater than ten (10%) percent of the then replacement cost of the improvements on the Premises (exclusive of Tenant's trade fixtures and equipment and exclusive of foundations and footings), then Landlord may elect not to restore and to terminate this Lease. Landlord must give to Tenant written notice of its intention not to restore within thirty (30) days from the date of such damage or destruction and, if not given, Landlord shall be deemed to have elected to restore and in such even shall repair any damage as soon as reasonably possible. In the event that Landlord elects to give such notice of Landlord's intention to cancel and terminate this Lease, Tenant shall have the right, within ten (10) days after the receipt of such notice to give written notice to Landlord of Tenant's intention to repair such damage at Tenant's expense, without reimbursement from Landlord, in which event the Lease shall continue in full force and effect and Tenant shall proceed to make such repairs as soon as reasonably possible. If the Tenant does not give such notice within such 10 day period, this Lease shall be canceled and be deemed terminated as of the date of the occurrence of such damage or destruction.

(c) Damage Near the End of the Term.

If the Premises are totally or partially destroyed or damaged during the last twelve (12) months of this Lease, Landlord may, at Landlord's option, cancel and terminate this Lease as of the date of the cause of such damage by giving written notice to the Tenant of Landlord's election to do so within 30 days after the date of the occurrence of such damage; provided, however, that, if the damage or destruction occurs within the last 12 months of the term and if within fifteen (15) days after the date of such damage or destruction Tenant exercises any option to extend the term provided herein, Landlord shall restore the Premises if obligated to do so as provided in subparagraph (a) or (b) above.

(d) Abatement of Rent.

If the Premises are partially or totally destroyed or damaged and Landlord or Tenant repairs or restores them pursuant to the provisions of the Article 12, the rent payable hereunder for the period during which such damage, repair or restoration continues shall be abated in proportion to the degree to which Tenant's reasonable use of the Premises is impaired. Except for the abatement of rent, if any, Tenant shall have no claim against Landlord for any damages suffered by reason of any such damage, destruction, repair, or restoration.

(e) Trade Fixtures and Equipment.

If Landlord is required or elects to restore Premises as provided in this Article, Landlord shall not be required to restore Tenant's improvements, trade fixtures, equipment, or alterations made by Tenant, such excluded items being the sole responsibility of the Tenant to restore hereunder.

(f) Total Destruction-Multitenant Building

If the Premises are a part of a multitenant building and there is destruction to the Premises and/or the building of which the Premises are a part that exceeds fifty (50%) percent of the then replacement value of the Premises and/or the building in which the Premises are a part from any cause whether or not covered by the insurance described in Article 11 above, Landlord may, at its option, elect to terminate this Lease (whether or not the Premises are destroyed) so long as Landlord terminates the leases of all other Tenants in the building of which the Premises are a part, effective as of the date of such damage or destruction.

13. CONDEMNATION

If the Premises or any portion thereof are taken by the power of eminent domain, or sold by Landlord under the threat of exercise of said power (all of which is herein referred to as "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemnation authority takes title or possession, whichever occurs first. If more than twenty (20%) percent of the floor area of the building in which the

Premises is located, or more than twenty (20%) percent of the land area containing the Premises not covered with buildings, is taken by condemnation, either Landlord or Tenant may terminate this Lease as of the date of the condemnation authority takes possession by notice in writing of such election within twenty (20) days after Landlord shall have notified Tenant of such taking or, in the absence of such notice, then within twenty (20) days after the condemnation authority shall have taken possession.

If this Lease is not terminated by either Landlord or Tenant as provided hereinabove, then it shall remain in full force and effect as to the portion of the Premises remaining, provided that the rental shall be reduced in proportion to the floor area of the Premises or square footage of the land taken. In the event this Lease is not so terminated, then Landlord agrees at Landlord's sole cost and expense, to as soon as reasonably possible restore the Premises to a complete unit of like quality and character as existed prior to the condemnation.

All awards for the taking of an part of the Premises or any payment made under the threat of the exercise of the power of eminent domain shall be the property of the Landlord, whether made as compensation for the diminution of the value of the leasehold or for the taking of the fee or as severance damages; provided, however, that Tenant shall be entitled to any award for loss or damage to Tenant's trade fixtures and removable personal property.

Except as set forth above, each party hereby waives the provisions of Code of Civil Procedure 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of the partial taking of the Premises.

Rent shall be abated or reduced during the period from the date of taking until the completion of restoration by Landlord, but all other obligations or Tenant under this Lease shall remain in full force and effect. The abatement or reduction of the rent shall be based on the extent to which the restoration interferes with Tenant's use of the Premises.

14. ASSIGNMENT AND SUBLETTING.

Tenant shall not voluntarily or by operation of law assign, transfer, sublet, mortgage, or otherwise transfer or encumber all or any part of Tenant's interest in the Lease or in the Premises without Landlord's prior written consent which consent shall not be unreasonably withheld. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without such consent shall be void and shall constitute a breach of this Lease.

Regardless of Landlord's consent, no subletting or assignment shall release Tenant or Tenant's obligation to pay the rent and to perform all other obligations to be performed by Tenant hereunder for the term of this Lease. The acceptance of rent by Landlord from any other person shall not be deemed a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment of subletting.

15. DEFAULT.

(a) Events of Default.

The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

(1) Failure to pay rent when due, if the failure continues for five (5) days after written notice has been given to Tenant.

(2) Abandonment and vacation of the Premises (failure to occupy the Premises for fourteen (14) consecutive days shall be deemed an abandonment and vacation, except as described in Articles 12 and 13 of this Lease).

(3) Failure to perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after written notice thereof has been given to Tenant by Landlord. If the default cannot reasonably be cured within said thirty (30) day period, Tenant shall not be in default under this Lease if Tenant commences to cure the default within the thirty (30) day period and diligently prosecutes the same to completion.

(4) The making by Tenant of any general assignment, or general arrangement for the behalf of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy unless the same is dismissed within sixty (60) days; the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where such seizure is not discharged within thirty (30) days.

Notices given under this paragraph shall specify the alleged default and the applicable lease provisions, and shall demand that Tenant perform the provisions of this Lease or pay the rent that is in arrears as the case may be, within the applicable period of time. No such notice shall be deemed a forfeiture of a termination of this Lease unless Landlord so elects in the notice.

(b) Landlord's Remedies.

The Landlord shall have the following remedies if Tenant commits a default under this Lease. These remedies are not exclusive but are cumulative and in addition to any remedies now or hereafter allowed by law.

Landlord can continue this Lease in full force and effect, and the Lease will continue in effect so long as Landlord does not terminate Tenant's right to possession, and the Landlord shall have the right to collect rent when due. During the period that Tenant is in default, Landlord can enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to the Landlord for all costs the Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining term of this Lease. Tenant shall pay to Landlord the rent due under this Lease on the dates the rent is due, less the rent Landlord received from any reletting. No act by Landlord allowed by this paragraph shall terminate this Lease unless Landlord notifies Tenant that Landlord elects to terminate this Lease. After Tenant's default and for so long as Landlord has not terminated Tenant's right to possession of the Premises, if Tenant obtains Landlord's consent, Tenant shall have the right to assume or sublet its interest in the Lease, but Tenant shall not be released from liability. Landlord's consent to the proposed assignment or subletting shall not be unreasonably withheld.

If Landlord elects to relet the Premises as provided in this paragraph, any rent that Landlord receives from such reletting shall apply first to the payment of any indebtedness from Tenant to Landlord other than the rent due from Tenant to Landlord; secondly, to all costs including maintenance incurred by Landlord in such reletting; and third, to any rent due and unpaid under this Lease. After deducting the payments referred to in this paragraph, any sum remaining from the rent Landlord receives from such reletting shall be held by Landlord and applied in payment of future rent as rent becomes due under this Lease. In no event shall Tenant be entitled to any excess rent received by Landlord. If on the date rent is due under this Lease, the rent received from the reletting is less than rent due on that date, Tenant shall pay to Landlord, in addition to remaining rent due, all costs, including maintenance, that Landlord shall have incurred in reletting that remain after applying the rent received from reletting as provided in this paragraph.

Upon default, Landlord can, at its option, terminate Tenant's right to possession of the Premises at any time. No act by Landlord other than giving written notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord's initiative to protect Landlord's interest in this Lease shall not constitute a termination of Tenant's right to possession. In the event of such termination, Landlord has the right to recover from Tenant:

(1) The worth, at the time of the award, of the unpaid rent that had been earned at the time of the termination of this Lease;

(2) The worth, at the time of the award, of the amount by which the unpaid rent that would have been earned after the date of the termination of this Lease until the time of the award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided;

(3) The worth, at the time of the award, of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; and

(4) Any other amount, including court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default. "The worth at the time of the award" includes the principal sum, plus interest at the legal rate.

If Tenant is in default under the terms of this Lease, Landlord shall have the additional right to have a receiver appointed to collect rent and conduct Tenant's business. Neither the filing of a petition for the appointment of a receiver nor the appointment itself shall constitute an election by Landlord to terminate this Lease.

Landlord at any time after the Tenant commits a default, can cure the default at Tenant's cost and expense. If Landlord at any time, by reason of Tenant's default, pays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord at the time the sum is paid, and if paid at a later date shall bear interest at the legal rate. The sum, together with interest thereon, shall be considered additional rent.

16. SIGNS.

Tenant shall not have the right to place, construct or maintain any sign, advertisement, awning, banner, or other exterior decorations on the building or other improvements that are a part of the Premises without Landlord's prior, written consent, which consent shall not be unreasonably withheld.

17. SUBORDINATION.

This Lease, at Landlord's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon the real property of which the Premises are a part and to any and all advances made on the security thereof and to all renewal, modifications, and extensions thereof. Notwithstanding any such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all the other provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee, or ground lessor shall elect in writing to make this Lease senior to the lien of its mortgage or deed of trust or ground lease, this Lease shall be deemed senior to such mortgage, deed of trust or ground lease, whether this Lease is dated prior to or subsequent to the date of such mortgage, deed of trust or ground lease, or the date of recording thereof. Tenant agrees to execute any documents requiring to effect such subordination or to make this Lease senior to the lien of any mortgage, deed of trust, or ground lease, as the case may be, and failing to do so within ten (10) days after written demand from Landlord does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney in fact and in Tenant's name, place and stead to do so.

18. SURRENDER.

On the last day of the term hereof, or on any sooner termination, Tenant shall surrender the Premises to Landlord in good condition, broom clean, ordinary wear and tear accepted. Tenant shall repair any damage, other than ordinary wear and tear, to the Premises occasioned by its use thereof, or by the removal of Tenant's trade fixtures, furnishings and equipment, which repair shall include the patching and filling of holes and repair of structural damage. Tenant shall remove all of its personal property and fixtures on the Premises prior to the expiration of the term of this Lease and if required by Landlord pursuant to Article 10(a) above, any alterations, improvements or additions made by Tenant to the Premises. If Tenant fails to surrender the Premises to Landlord on the expiration of the Lease as required by this paragraph, Tenant shall hold Landlord harmless from all damages resulting from Tenant's failure to vacate the Premises, including, without limitation, claims made by any succeeding Tenant resulting from Tenant's failure to surrender the Premises.

19. HOLDING OVER.

If the Tenant, with the Landlord's consent, remains in possession of the Premises after the expiration or termination of the term of this Lease, such possession by Tenant shall be deemed to be a tenancy from month-to-month at a rental in the amount of the last rental plus all other charges payable hereunder upon all the provisions of this Lease applicable to month-to-month tenancy.

20. BINDING ON SUCCESSORS AND ASSIGNS.

The terms, conditions and covenants of this Lease shall be binding upon and shall inure to the benefit of each of the parties' heirs, personal representatives, successors and assigns.

21. NOTICES.

Whenever under this Lease a provision is made for any demand, notice or declaration of any kind, it shall be in writing and served either personally or sent by registered or certified United States mail, postage prepaid, addressed at the addresses set forth below:

TO LANDLORD AT:
PO Box 619082, Roseville, CA 95661-9082

TO TENANT AT:
5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610

Such notices shall be deemed to be received within forty-eight (48) hours from the time of mailing, if mailed as provided for in this paragraph. Notices served personally will be effective immediately upon receipt.

22. LANDLORD'S RIGHT TO INSPECTION.

Landlord and Landlord's agent shall have the right to enter the Premises at reasonable times for the purpose of inspecting same, showing the same to prospective purchasers or lenders, and making such alterations, repairs, improvements or additions to the Premises or to the building of which the Premises are a

part as Landlord may deem necessary or desirable. Landlord may at any time place on or about the Premises any ordinary "For Sale" signs and Landlord may at any time during the last one hundred twenty (120) days of the term of this Lease place on or about the Premises any ordinary "For Sale or Lease" signs, all without rebate of rent or liability to Tenant.

23. CHOICE OF LAW.

This Lease shall be governed and construed in accordance with the laws of the State of California.

24. ATTORNEY'S FEES.

If either Landlord or Tenant becomes a party to any litigation or arbitration concerning this Lease, the Premises, or the building or other improvements in which the Premises are located, by reason of any act or omission of the other party or its authorized representatives, and not by reason of any act or omission of the party that becomes a party to that litigation or any act or omission of its authorized representatives, the party that causes the other party to become involved in the litigation shall be liable to that party for reasonable attorney's fees and court costs incurred by it in the litigation.

If either party commences an action against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the losing party reasonable attorney's fees and costs of suit.

25. LANDLORD'S LIABILITY.

The term "Landlord" as used in this Lease shall mean only the owner or owners at the time in question of the fee title or a Lessee's interest in a ground lease of the Premises. In the event of any transfer of such title or interest, Landlord herein named (and in case of any subsequent transfers to the then successor) shall be relieved from and after the date of such transfer of all liability in respect to Landlord's obligations thereafter to be performed. The obligations in this Lease to be performed by Landlord shall be binding upon the Landlord's successors and assigns only during their respective periods of ownership.

26. WAIVERS.

No waiver by Landlord or any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of rent hereunder by Landlord shall not be a waiver of any preceding breach by Tenant of any provision hereof, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of its acceptance of such rent.

27. INCORPORATION OF PRIOR AGREEMENTS.

This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This lease may be modified only in writing, and signed by the parties in interest at the time of such modification.

28. TIME.

Time is of the essence of this Lease.

29. SEVERABILITY.

The unenforceability, invalidity, or illegality of any provision of this Lease shall not render the other provisions hereof unenforceable, invalid or illegal.

30. ESTOPPEL CERTIFICATES.

Each party, within ten (10) days of notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modification. The certificate shall also state the amount of minimum monthly rent, the dates to which rent has been paid in advance, and the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to the party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate within the ten (10) day period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate.

31. GROUND FLOOR SUMMARY MAP.

The Premises covered by this lease are highlighted in "pink" on the attached "Ground Floor Summary Map."

33. ADDENDUM.

Any addendum attached hereto and either signed or initialed by the parties shall be deemed a part hereof and shall supersede any conflicting terms or provisions contained in this Lease.

[Signatures Follow on Next Page.]

The parties hereto have executed this Lease on the date first above written.

LANDLORD:

TENANT:

By: _____

By: _____

By: _____

By: _____

August 17, 2011

AGENDA ITEM 5: INTEGRATED REGIONAL WATER MANAGEMENT PLAN UPDATE

BACKGROUND:

At the July 27, 2011 Executive Committee (EC) meeting, staff presented a recommendation to amend the project agreement for the Regional Water Master Plan and Operational System Program to end the project on June 30, 2013 and assign remaining funds to a designation to be managed by RWA for the purposes of funding future activities related to updating or implementing the American River Basin Integrated Regional Water Management Plan (IRWMP). The EC requested that staff prepare a draft of the amendment and bring the item back for further discussion and action on August 17, 2011. A draft of the proposed amendment is attached. Staff is requesting action on the amendment and direction on the appropriate action for the RWA Board to take regarding the future of the IRWMP.

STAFF RECOMMENDATION:

Action: Approve Project Agreement Amendment and Recommend Full Board Action Related to the IRWM Plan.

**REGIONAL WATER AUTHORITY
AMENDMENT NO. 2 TO PROJECT AGREEMENT**

**REGIONAL WATER MASTER PLAN AND
OPERATIONAL SYSTEM PROGRAM**

This Amendment to the Project Agreement is made and entered into as of the ____ day of _____, 2011, by and between the Regional Water Authority ("RWA"), a joint exercise of powers authority formed under California Government Code section 6500, and following, and the Members and Contracting Entities of RWA listed in Exhibit 1 to this Amendment, upon their execution of this Agreement (who are collectively referred to in this Amendment as "Participants"), to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the Participants.

RWA and the Participants agree as follows:

Amendment of Project Agreement. The Project Agreement for the Regional Water Master Plan and Operational System Program is hereby amended as follows:

1. It is understood that the cost share agreement with the Corps of Engineers to fund the project has been concluded and is no longer a source of funds for this project.
2. The term of the Project Agreement will end on June 30, 2013.
3. The project fund balance as of June 30, 2013 will be assigned to a fund designation to be managed by RWA solely for the purpose of funding work related to the update and implementation of the American River Basin Integrated Regional Water Management Plan.
4. Funds collected from participants after July 1, 2011 and not expended on the project will not be included in the designation above, but will be returned to participants.

Effect of Amendment. The remaining terms of the Project Agreement not affected by this Amendment apply to the implementation of this Amendment, and remain in full force and effect.

The foregoing Amendment is hereby agreed to by RWA and the Participants.

Dated: _____, 2011

_____, 2011

Signature

Signature

Name

Name

Regional Water Authority

Agency

Exhibit 1

California American Water
Carmichael Water District
Citrus Heights Water District
City of Folsom
City of Lincoln
City of Roseville
City of Sacramento
El Dorado Irrigation District
Fair Oaks Water District
Golden State Water Company
Orange Vale Water Company
Placer County Water Agency
Rio Linda/Elverta Community Water District
Sacramento Regional County Sanitation District
Sacramento Suburban Water District
San Juan Water District

August 17, 2011

AGENDA ITEM 6: OTHER POST EMPLOYMENT BENEFITS (OPEB) PRE-FUNDING PROGRAM USING THE CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST

BACKGROUND:

At the July 27, 2011 Executive Committee meeting, staff discussed changes that the California Employers' Retiree Benefit Trust ("CERBT") was making to invest pre-funded asset contributions for Other Post-Employment Benefits (OPEB) related to health benefits payable to retirees. As part of the determination of future invested asset values, Governmental Accounting Standards Board allowed a maximum discount rate of return of 7.75%. The CERBT has been using this maximum discount rate of return. Beginning August 2011, the CERBT will provide for three asset allocation strategies with different rates of return.

Bickmore Risk Services (BRS), RWA's current actuary, has suggested rounding the discounted rates instead of using the discounted rates as outlined by CalPERS. Following actuarial standards of practice, BRS suggested rounding the asset strategy discount rates as follows:

- 1) Strategy 1: 7.5% versus 7.61%
- 2) Strategy 2: 7.0% versus 7.06%
- 3) Strategy 3: 6.25% versus 6.36%

Staff had discussions with the CERBT staff about the different strategies, and CERBT provided a presentation they have used in communicating with agencies about the changes. CERBT staff offered to attend a future Executive Committee or board meeting.

STAFF RECOMMENDATION:

Information Presentation: John Woodling, RWA Executive Director.

August 17, 2011

AGENDA ITEM 7: SEPTEMBER 8, 2011 RWA BOARD MEETING AGENDA

STAFF RECOMMENDATION:

Action: Approve September 8, 2011 Proposed RWA Board Meeting Agenda.

**REGIONAL WATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, September 8, 2011; 9:00 a.m.
Carmichael Water District
7837 Fair Oaks Blvd., Carmichael, CA 95609
(916) 483-2452**

DRAFT AGENDA

The public shall have the opportunity to directly address the Board on any item of interest before or during the Board's consideration of that item. Public comment on items within the jurisdiction of the Board is welcomed, subject to reasonable time limitations for each speaker. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the Authority's Administrative Office at the address listed above. In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the Executive Director of the Authority at (916) 967-7692. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

1. **CALL TO ORDER AND ROLL CALL**
2. **PUBLIC COMMENT**
3. **CONSENT CALENDAR**
 - a. Minutes of the July 14, 2011 regular board meeting.
Action: Approve Consent Calendar Items.
4. **EXECUTIVE COMMITTEE REPORT AND RECOMMENDATIONS**
 - a. Information: Final minutes of the May 25, 2011 and the July 27, 2011 RWA Executive Committee meetings.
 - b. ***Action: Approve the Executive Director Review Committee's performance report of the RWA Executive Director and approve amendment to the Executive Director's employment contract.***
 - c. ***Action: Approve the Executive Director to sign a lease agreement with ACWA JPIA.***
5. **OTHER POST EMPLOYMENT BENEFITS (OPEB) PRE-FUNDING PROGRAM USING THE CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST**
 - Information Presentation: Nicole Krotoski, RWA CPA.
6. **AMERICAN RIVER BASIN INTEGRATED REGIONAL WATER MANAGEMENT PLAN UPDATE**
 - Information Presentation: RWA staff update on development of IRWMP vision and goals.
 - ***Action:???***
7. **EXECUTIVE DIRECTOR'S REPORT**
8. **DIRECTORS' COMMENTS**
9. **ADJOURNMENT**

August 17, 2011

AGENDA ITEM 8: CLOSED SESSION UNDER GOVERNMENT CODE SECTIONS 54954.5(E) AND (F), 54957 AND 54957.6 TO DISCUSS THE EXECUTIVE DIRECTOR'S PERFORMANCE REPORT AND CONFER WITH THE EXECUTIVE DIRECTOR REVIEW COMMITTEE

August 17, 2011

AGENDA ITEM 9: REPORT FROM CLOSED SESSION

BACKGROUND:

The Executive Director Review Committee has completed the 2011 performance review process, and has discussed findings and recommendations with the Executive Director.

COMMITTEE RECOMMENDATION:

Action: Recommend RWA Board Approval of the Executive Director Review Committee's Performance Report of the RWA Executive Director.

August 17, 2011

AGENDA ITEM 10: EXECUTIVE DIRECTOR'S REPORT

- a) Government Affairs Update
- b) Public Relations Program Update
- c) Water Forum Update
- d) RWA Outreach

AUGUST 17, 2011

TO: REGIONAL WATER AUTHORITY EXECUTIVE COMMITTEE

FROM: JOHN WOODLING

RE: EXECUTIVE DIRECTOR'S REPORT

- a) Government Affairs Update** – The RWA Government Affairs Committee continues to meet by conference call every other Tuesday at 10:00 a.m., and in person the last meeting of each month at Sacramento Suburban Water District. At the direction of the Executive Committee the Government Affairs Committee will discuss alternatives to the “unanimous consent” provisions of the RWA joint powers agreement at its August 30, 2011 meeting.

RWA continues to confer with other upstream agencies on federal legislation, HR 1837 (Nunes), which would limit the responsibility of the CVP and SWP in meeting requirements of the endangered species act and preempt state law, potentially undermining water rights priorities and area-of-origin protections. Most agencies are not taking formal “oppose” positions until it is clear whether the bill is moving.

The Delta Stewardship Council released the fifth draft of the Delta Plan, which will be the basis of the administrative draft EIR, to be released for a 45-day comment period. The 200+ page document contains 12 regulatory policies and 61 recommendations. While the fifth draft claims less regulatory authority for the Council, than previous drafts, there are a number of troubling recommendations for actions of other agencies, most notably the recommendation to the SWRCB to require “all other feasible water supply alternatives” to be evaluated and implemented before increasing diversions from the Delta watershed.

Carmichael Water District directed a consultant to develop possible legislative proposals to respond to ACWA’s call for proposals. A copy of the memo is attached. Mr. Woodling is seeking direction from the Executive Committee regarding RWA pursuing any of these proposals.

RWA and other CUWCC members from the region caucused to develop a regional position related to the CUWCC’s consideration of regional representation. The most current CUWCC committee proposal would split the state into three regions -- southern, coastal, and inland -- and assign seats based on the number of CUWCC signatories and the populations served in each region. The current breakout would provide for one board seat in the inland region, with

the opportunity to increase that if CUWCC participation increases or population grows.

- b) Public Relations Program Update** – Mr. Woodling has been working with SACOG, NCWA, and others to develop the concept and principles for a coalition to support the region’s interests in a Delta solution and other water issues. A draft background paper and principles is attached. Over the course of the next several months this group will seek to brief city councils, county boards of supervisors, local chambers of commerce, and other groups on the Delta and potential impacts to our region. Mr. Woodling is scheduled to brief Sacramento Suburban Water District on August 15, 2011 and would like to brief the board of directors of each RWA member agency. Mr. Woodling and city staff briefed the City of Sacramento’s ad hoc water committee on Delta issues and the coalition concept. The council members making up the committee directed staff to bring the item to the August 23, 2011 Council meeting.
- c) Water Forum Update** – Water Forum staff and consultants continue to work to correct and refine the CALSIM modeling to identify water supply impacts of the lower American River flow standard. This work should be completed for presentation to the water caucus at its September meeting.
- d) RWA Outreach** – Mr. Woodling and staff met with the general manager of Elk Grove Water District regarding possible RWA membership. Mr. Woodling is scheduled to provide an update on RWA activities to the PCWA Board on August 18, 2011. RWA’s tenth anniversary was featured in the attached version of ACWA News.

MEMORANDUM

To: Steve Nugent, Carmichael WD

From: Greg Young
Gwyn-Mohr Tully

Date: August 3, 2011

Subject: Legislative concepts for consideration

The purpose of this memo is to outline a few possible legislative proposals for consideration by the Carmichael Water District (CWD) that would be submitted to ACWA or appropriately addressed through other lobbying efforts. The suggested legislative proposals included below will require further development to enable completion of the ACWA form, which would occur following directives from CWD on any or all of the proposals.

1. **Enact a maximum “stream depletion” factor** – As illustrated during sales to the 2009 Drought Bank and the 2010 water transfers to the State Water Contractors, the approval of a groundwater substitution based transfer requires the transferor to agree to less than a one-for-one quantification basis for the foregone surface water supplies to accommodate “impacts to other legal users.” In 2009, this “groundwater depletion” tax levied on all transferors north of the Delta was 12% of each acre-foot of transferable water. In 2010, Sacramento Suburban WD, with support from RWA and others, worked with DWR to push the value lower to 8%. This reflected additional proceeds of over \$30,000 for a transfer of 4,000 AF at \$200/AF.

The contention is that the use of groundwater in lieu of surface water results in lower groundwater elevations that are refilled by future stream flows that would otherwise benefit downstream legal users of water (e.g. the SWP and CVP). The values imposed by DWR have been based on coarse groundwater model analysis and do not appear to reflect reality. In the efforts to reduce the value for 2010, DWR attempted to argue that the lowering by SSWD would be refilled in part by the Bear River, which affects their water rights. Even though the substitution programs fully saw groundwater elevations fully recover by the following spring and did not see (or hear) of lower elevations to the north, they had to abide by DWR’s decision.

Given the characteristics of the American River and the adjoining groundwater basins to the north and the south, an argument can easily be made that the rate of “loss” from the River to the groundwater is governed by the hydrogeologic conditions underlying

the River, which has a fairly consistent hydrologic gradient that controls the seepage into the aquifers. The raising and/or lowering of the groundwater does not affect this rate of seepage.

Proposed legislation: For temporary groundwater substitution-based water transfers seeking approval under CWC§1810 (wheeling) or §1725 (temporary transfer) where the migration of water from natural streams to aquifers used for the substitution is through an unsaturated zone (vadose zone), the “stream depletion factor” will be limited to a maximum of 4% of the quantity verified as available to transfer.

2. **Facilitate CWC §1725 approvals for adjacent water purveyors** – With a continued emphasis on regional self-sufficiency by the State, water purveyors may find opportunities to temporarily serve existing water rights to adjacent water purveyors to facilitate regional water management. As an example, the temporary delivery of Carmichael’s water rights to Sacramento Suburban or Fair Oaks water districts would require compliance with §1725, including filing fees, preparation of necessary applications and supporting materials, notices, etc. Repeating this action to facilitate regional self-sufficiency is costly and limits regional flexibility that would allow quick responsiveness to hydrologic conditions and needs.

Currently, a water purveyor is allowed to serve water to an adjoining purveyor through interties under “emergency” conditions, accompanied by “after-the-fact” reporting on the quantity and purpose for the delivery.

Proposed legislation: We propose adding language to the Water Code enabling transfers under all conditions among adjacent water purveyors where interties exist in order to facilitate regional cooperation and regional self-reliance, where the quantity delivered through the intertie did not exceed the existing water rights of the transferor and was limited to no more than 15% of the past three years of deliveries within the transferors existing service area (e.g. if the transferor has served an average of 10,000 acre-feet within its service area, the transfer to an adjacent purveyor through and existing intertie is limited to 1,500 acre-feet in a given year). Transfers to adjacent water purveyors through existing interties would be deemed approved by the SWRCB after submitting a new form to SWRCB indicating the amount and timing of the short-term water transfer under the existing water right and giving protestants notice and opportunity for a hearing under claim of injury. SWRCB would post the transfer proposal form on its website for 30 days giving protestants notice of the transfer and an opportunity to comment. No filing fees would be associated with this type of temporary transfer.

3. **Reduced fees for temporary transfers** – Currently, a water purveyor pursuing a temporary transfer under CWC§1725 incurs several expenses that challenge the feasibility of small quantity transfers. Primary of these is the fee charged by the

SWRCB to review a petition for temporary change. The 2010-11 fee is: \$2,000 base fee, plus \$0.30 per AF for each acre foot to be transferred in excess of 10 AF. In addition, the petitioner must also pay an \$850 fee to the Dept of Fish and Game (DFG) for their review. In addition to the filing fees, the petitioner generally spends significant resources documenting the characteristics of the transfer, completing required forms, filing a CEQA notice of exemption and several other efforts. Combined, these transaction expenditures of staff time and budget significantly hinder the submission of small-quantity water transfers (e.g. less than 2,000 af).

Furthermore, the repetition of these transactional efforts in subsequent years when the same transfer is proposed again, adds unnecessary financial burden on efforts to facilitate regional self-reliance or to help statewide drought management efforts.

Proposed legislation: For a proposed temporary transfers that replicates the attributes (e.g. quantity, timing, method) of a transfer successfully executed by the petitioner within the past 5 years, the SWRCB and DFG filing fee associated with \$1725 will be waived.

4. **American River GET water rights** – The treated groundwater from the various Aerojet GET facilities around the American River groundwater basins discharged to the American River should be recognized as groundwater under an appropriative right held by the water purveyor from which the water was pumped. With clarification on the “ownership” of the water, the impacted purveyors have flexibility to manage the discharged treated groundwater assets to help offset potential impacts to the groundwater resources underlying their respective service areas. For CWD, this would recognize the water treated at GET-LA and GET-LB as owned by CWD and available for redirection, transfer or exchange. This would also benefit Fair Oaks, Sacramento County WA and Folsom.

This concept could be expanded to include other basins throughout the State where other GET facilities are discharging treated groundwater to surface water bodies.

Proposed legislation: The CWC would be modified to recognize that rights to the use of the extracted and treated groundwater belong with the water purveyor whose service area includes the physical location of the extraction well (even where the treatment is being done by an entity other than the water purveyor). The CWC would further recognize this water as still being groundwater and not a co-mingled source with the surface water into which it is discharged (e.g. allowing the redirection to not be conditions similar to a surface water right).

D R A F T
Sacramento Region Water Resource Coalition Framework
August 4, 2011

Background

Recent Delta and Delta watershed legislation, regulations, and plans pose serious risks to the economy, environment, and quality of life in the six-county Sacramento region. The efforts to resolve the crisis in the Sacramento-San Joaquin Delta raises concerns about water supply reliability and affects on land use, flood control, economic development, agricultural viability, financing Delta improvements, and other related issues. Other water resources issues, including flood protection, effects of climate change, increasing water rates, water quality, and aging infrastructure will also continue to be important to the region.

In 2009, a package of five water bills was approved by the legislature and signed by the Governor, which focused on Delta restoration and water resources throughout the state, including requirements for water conservation and groundwater monitoring, and a proposed \$11 billion water bond. SBx7 1 of that package established the Delta Stewardship Council (DSC) and called for the development of a Delta Plan by the DSC that would achieve the coequal goals of statewide water supply reliability and Delta ecosystem restoration. Five drafts of the Delta Plan have been released this year and have raised the concerns noted above. Another key element of a Delta solution is the Bay-Delta Conservation Plan (BDCP), which would be incorporated into the Delta Plan if certain conditions are met. Over the last several years, state and federal agencies have been working with environmental groups and water contractors on the BDCP to address the permitting of Delta pumping operations that move water from Northern California to the San Joaquin Valley, the Bay Area and Southern California. These pumping operations and other stressors are contributing to the decline of the Delta ecosystem. While there is general agreement that solutions for the Delta and water resources in California are needed, many stakeholders raise concerns about how the BDCP and Delta Plan will achieve those objectives and what will be the impacts on our region.

In light of actions and efforts underway, many stakeholders in the region have recognized that a united regional position and voice is needed to influence state and federal legislative and regulatory actions on water resources proactively. Many stakeholders are calling for a regional water resources coalition that can help us get ahead of issues and address concerns as a region, with one voice and common objectives, when possible.. Such a coalition would provide an opportunity to respond to the Delta Plan, BDCP, and other current state and federal initiatives, but would also provide a forum to work proactively on future funding, regulatory reform, and legislative initiatives that support the region going forward.

Regional Water Coalition Concept

Several groups in the six-county Sacramento region have been actively engaged in the issues surrounding the Delta Plan and the BDCP. Those groups include Sacramento and Yolo Counties as part of the Delta Counties Coalition (DCC); the Regional Water Authority (RWA), representing more than 20 urban water suppliers; and the Northern California Water Association (NCWA), representing agricultural water users in the Sacramento Valley. More recently, SACOG became involved as board members became concerned about the impacts of the draft Delta Plan on the region. At the Board's direction, therefore, SACOG staff has sought input from member jurisdictions and other regional stakeholders to determine if there is an appropriate role for SACOG on these issues.

After discussion with a number of stakeholders in the region, we are proposing a regional coalition on water resources issues. While the Delta will be an immediate focus, the coalition could provide a longer term forum for other water issues affecting the region in the future.

As currently envisioned, the core members of the coalition, responsible for much of the coordination, outreach, and management would be SACOG, RWA, and NCWA. Since the impacts of a Delta solution could be so pervasive in our region, the goal of the coalition would be to reach out to stakeholders to seek commitment from a broad group of supporters and participants, including all of the SACOG member jurisdictions; individual agricultural and urban water suppliers; local chambers of commerce, the Metro Chamber, and other business groups; labor groups; environmental and community groups; and others.

A regional water resources coalition could serve a number of functions, including:

- Keeping interested parties informed on the status of Delta activities and other water issues,
- Aligning and coordinating the individual actions of coalition partners on issues,
- Identifying and educating those with the interest to take a more active role in advocating on behalf of the region, and
- Providing a more influential voice to the legislature and the administration

Specific activities of the coalition for the near-term could include:

- Outreach to broaden participation.
- Periodic meetings to discuss issues and develop regional positions.
- Disseminating information and status updates through email newsletters.
- Providing a clearinghouse for comment letters, positions, and other information from individual coalition members to improve communication.
- Providing generalized content for letters and comments from coalition members.
- Convening a regional forum on water issues.
- Coordinating legislative advocacy efforts.

The coalition would focus on shared regional concerns. The coalition would not be intended to replace or constrain the individual actions of coalition members on issues, but to complement and strengthen such efforts. Initially, the coalition is envisioned as an ad hoc group and activity. If needed and desired, it could develop into a more formal entity. It is envisioned that coalition members would self-select levels of participation that could include:

- Involvement in growing the coalition and more fully defining its scope and purpose,
- Active engagement in evaluating issues and recommending responses,
- Active engagement in advocacy on behalf of the region, and
- General support and desire to be kept informed on issues.

A draft resolution and principles, intended to reach the widest possible audience of potential coalition participants is attached.

Immediate Next Steps

- Continue to seek stakeholder input on the coalition concept.
- Convene a meeting to better define the coalition process, structure and procedures.
- Outreach to agencies and organizations seeking commitment to regional principles.

Proposed Resolution for Participation in a Regional Water Resources Coalition

Whereas, the six-county Sacramento Region can benefit from regional coordination and collaboration in facing future water resources challenges and opportunities, and

Whereas, conditions in the Sacramento-San Joaquin Delta have reached a state of crisis that threatens the environment of the Delta and the economy of California, and

Whereas, Delta solutions proposed could pose serious risks to the water supplies, economy, environment, and quality of life of the Sacramento region and northern California, and

Whereas, (name of organization) seeks to promote regional cooperation on water issues, and to be a part of a collaborative and comprehensive solution to the issues facing the Delta,

Therefore, be it resolved that we support a regional coalition based on the following principles:

Water rights priorities and area-of-origin assurances shall be recognized and protected to ensure reliable supplies for all water uses and environmental needs in our region.

Stakeholders in the Sacramento region must be fully included in and consulted on all aspects of development of a Delta solution and other state and federal water policies that affect the region.

A Delta solution and other state or federal actions shall honor and not reduce or preempt the authority and responsibilities of cities, counties, and other local agencies.

The region will continue to invest in and implement water supply, water efficiency, recycling and re-use, storage, and other water management projects and programs that are cost effective and improve our regional self-sufficiency.

We will support a Delta solution that:

- Is based on sound science to ensure it is effective and implemented in an equitable manner,
- Requires the beneficiaries of any actions associated with a Delta solution to fully fund the costs of such actions, and
- Does not shift negative economic, environmental, or societal impacts to areas in our region.

Regional Water Authority Celebrates 10th Anniversary

Regional Water Authority, a joint powers agency formed to take water management and conservation to a new level in Northern California, marked a decade of collaboration.

“RWA’s 10th anniversary is a milestone for the region,” said Bill George, RWA Chairman. “In the late 1990s, water suppliers faced an uncertain future. Communities were growing quickly, concern for the environment was rising and groundwater contamination was a threat. Fortunately, water managers made a conscious choice to work together to address those challenges and we are seeing the benefits of that decision today.”

Since its creation in 2001, RWA has launched regional-scale programs to make targeted investments in water-use efficiency, conjunctive use, water recycling and other strategies



to make the most of existing supplies and ease pressure on ecosystems and environmental resources.

RWA has secured more than \$70 million in grants for the region to help local water suppliers meet their customers’ needs while limiting rate increases. RWA represents 24 water providers and affiliated agencies in Sacramento, Placer, El Dorado and Yolo counties.

The creation of RWA was called critical for the success of the Sacramento Area Water Forum, a landmark water planning effort that resulted in a historic agreement aimed at avoiding future

water shortages, environmental degradation and limits on economic growth.

“Starting with the Water Forum, RWA members have brought a collaborative, regional approach to ensuring reliable water supplies while protecting our environment,” said RWA Executive Director John Woodling. “This consistent commitment has led to a growing list of successful policy initiatives and projects delivering real results for water consumers, our regional environment and the statewide water picture.”

RWA is also implementing the American River Basin Integrated Regional Water Management Plan to improve water supply and quality for all users in the region. With the assistance of a \$25 million grant awarded in 2006 and another \$16 million grant expected

Continued on page 11

Continued from page 10

later this year, the program is advancing dozens of high-priority projects ranging from new groundwater wells to pipelines to water treatment plants and watershed protection.

“RWA is a model for successful regional collaboration and local water resources development around the state,” said ACWA Executive Director Timothy Quinn. “Partnerships such as those

forged through RWA are widely seen as the future of California water.”

RWA’s website address is rwah2o.org.