



**A SPECIAL MEETING OF THE BOARD OF DIRECTORS
of the
CENTRAL COAST WATER AUTHORITY**

will be held at 2:00 p.m., on Wednesday, March 8, 2023
via URL: <https://meetings.ringcentral.com/j/1471428793>
or via telephone by dialing (623)404-9000 and entering code 147 142 8793 #

In response to State and Local Proclamations of a State of Emergency, the CCWA Board of Directors shall hold this public meeting telephonically pursuant CCWA Board of Director's Resolution 2023-02 and consistent with the requirements of Government Code section 54953(e), as amended by Assembly Bill 361 (2021), in order to protect the public health and safety. The CCWA Operating Committee and public will participate in this meeting by video call or telephone.

Eric Friedman
Chairman

Jeff Clay
Vice Chairman

Ray A. Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

Public Comment on agenda items may occur via video call or telephonically, or by submission to the Board Secretary via email at lfw@ccwa.com no later than 8:00 a.m. on the day of the meeting. In your email, please specify (1) the meeting date and agenda item (number and title) on which you are providing a comment and (2) that you would like your comment read into the record during the meeting. If you would like your comment read into the record during the meeting (as either general public comment or on a specific agenda item), please limit your comments to no more than 250 words.

Every effort will be made to read comments into the record, but some comments may not be read due to time limitations. Please also note that if you submit a written comment and do not specify that you would like this comment read into the record during the meeting, your comment will be forwarded to Board members for their consideration.

Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available on the CCWA internet web site, accessible at <https://www.ccwa.com>.

- I. Call to Order and Roll Call**
- II. Public Comment – (Any member of the public may address the Committee relating to any matter within the Committee’s jurisdiction. Individual Speakers may be limited to five minutes; all speakers to a total of fifteen minutes.)**
- III. Executive Director’s Report**
 - * A. CCWA 2023 Short-Term Exchange Program with Irvine Ranch Water District (IRWD)
- IV. Reports from Committee Members for Information Only**
- V. Date of Next Regular Meeting: March 23, 2023**
- VI. Adjournment**

* Indicates attachment of document to agenda packet



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

March 03, 2023

TO: CCWA Board of Directors

FROM: Ray A. Stokes
Executive Director 

SUBJECT: CCWA 2023 Short-Term Exchange Program with Irvine Ranch Water District (IRWD)

RECOMMENDATION

That the CCWA Board of Directors approve Resolution No. 23-03 authorizing the Executive Director to:

1. Negotiate and enter into the attached 2023 Short-Term Water Exchange Program Agreement between IRWD and CCWA ("Transfer/Exchange Agreement") on behalf of CCWA Participant La Cumbre Mutual Water Company ("La Cumbre");
2. Negotiate and enter into a "Purchase Agreement" with La Cumbre whereby La Cumbre will agree to pay all costs associated with the proposed Transfer/Exchange;
3. Obtain DWR's approval of the proposed exchange pursuant to the Water Management Amendment of the State Water Contract; and
4. Take such other actions as necessary and appropriate to effectuate the transaction on behalf of La Cumbre.

DISCUSSION

Precipitation in the watersheds that serve Northern California have significantly increased the reservoir levels of the State Water Project ("SWP"), including two of the main reservoirs, Lake Oroville and San Luis Reservoir. DWR is evaluating the probability of San Luis Reservoir filling and "spilling,"¹ but current indications are that the State's share of San Luis Reservoir will fill this year. Once the State's share of San Luis Reservoir is full, DWR begins to "spill" water that was not used in the previous calendar year and carried over into 2023, meaning the carryover water is lost.

CCWA carried over 3,831 AF of water in San Luis Reservoir, which also includes the 1,000 AF transfer of carryover water from San Luis Obispo County. We have taken some actions to save some of the carryover water including 300 AF banked in Semitropic for Montecito Water District and 800 AF return to San Geronio Pass Water District to repay water debt for Carpinteria Valley Water District. However, there is still the risk of loss of carryover water if San Luis Reservoir fills and spills.

¹ San Luis Reservoir does not actually spill, but the term is used when DWR is no longer able to pump additional water into the Reservoir resulting in the loss of carryover water.

The current estimate of carryover water by CCWA Project Participant in San Luis Reservoir is as follows excluding the actions already taken discussed above:

Project Participant	Water Made Available in 2023 Year, AF		Total Carryover Subject to Spill in San Luis Reservoir
	Carryover	SLO Water Transfer SWP#23002	
	Total Carryover	1000	
City of Guadalupe	34	14	48
City of Santa Maria	198	414	612
Golden State Water Co.	3	13	16
Vandenberg AFB	761	141	902
City of Buellton	(12)	15	3
Santa Ynez ID#1 (Solvang)	225	38	263
Santa Ynez ID#1	215	13	228
Goleta WD	(157)	115	(42)
Morehart Land Company	110	5	115
La Cumbre Mutual WC	627	26	653
Raytheon Systems Co.	10	1	11
City of Santa Barbara	(35)	77	42
Montecito WD	115	77	192
Carpinteria Valley WD	738	51	789
SUBTOTAL	2,831	1,000	3,831

In an effort to save some of this carryover water, we are proposing entering into a new water banking agreement with IRWD, similar to the water banking arrangement we have executed with IRWD on behalf of Carpinteria Valley Water District in prior years.

The attached Transfer/Exchange Agreement outlines the terms of the proposed exchange with IRWD (the “Transfer/Exchange”), but the major deal points are as follows:

Term: 6 years
 Maximum Quantity: 450 AF (for La Cumbre only)
 Exchange Ratio: 2:1 (receive 1 AF in return for every 2 AF deposited)
 Maximum Annual Return: 583 AF
 Water Losses: Between 12% and 17%
 Recharge Costs: \$8/AF plus \$9,000
 Recovery Costs: around \$126/AF

Only La Cumbre Mutual Water Company has expressed interest in participating in the Irvine Ranch Water District water banking agreement in the amount of 450 AF.

ENVIRONMENTAL REVIEW:

Pursuant to CCWA’s Local Guidelines for Implementing the California Environmental Quality Act (CEQA), the Executive Director has determined that the Transfer/Exchange is exempt from CEQA for the following reasons:

1. The 2023 Exchange Program is not a project under CEQA (Pub. Res. Code § 21065; 14 Cal. Code Regs. §§ 15061(b)(3), 15378) because the Exchange will not result in direct or indirect changes to the environment. IRWD has already conducted environmental review under CEQA for IRWD’s Strand and Stockdale Integrated

Banking Projects (IRWD Water Bank) that takes into consideration the delivery of SWP water to the IRWD Water Bank. Rosedale and IRWD independently certified and approved the Water Bank Project on May 27, 2008 for Strand Ranch Integrated Banking Project and December 8, 2015 for Stockdale Integrated Banking Project. Moreover, the SWP long-term water supply contracts include provisions for delivery within the SWP place of use. Accordingly, the activity is simply a change in water management operations using existing facilities.

2. CEQA Guidelines Section 15301 provides an “existing facilities” exemption to environmental review that exempts activities that include the “maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use.” The water exchanged will be delivered to existing facilities, which include the Cross Valley Canal, Strand Ranch and/or Stockdale West Turnouts on the Cross Valley Canal, California Aqueduct, or other existing water banking or exchange programs (including the IRWD Water Bank) in which IRWD is a participant in Kern County. The 2023 Exchange Program is intended to meet existing uses of water and would not support new development or a change in land use. (14 Cal. Code Regs. §§ 15061(b)(3), 15301.)
3. CEQA Guidelines Section 15061(b)(3) provides a “common sense” exemption to environmental review that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to review.
4. None of the exceptions under CEQA Guidelines Section 15300.2 apply because there will be no significant cumulative impact as there are no known successive projects of the same type in the same place that will occur over the same time horizon; there is no reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances; and there are no scenic highways, hazardous waste sites, or historical resources in the area.

RAS

Attachments

1. Resolution with attachments, including the Transfer/Exchange Agreement

RESOLUTION NO. 23-03

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
CENTRAL COAST WATER AUTHORITY APPROVING THE SHORT-TERM
EXCHANGE PROGRAM WITH IRVINE RANCH WATER DISTRICT**

Recitals

- A. In 1963, the Santa Barbara County Flood Control and Water Conservation District (“**District**”) and the Department of Water Resources (“**DWR**”), acting on behalf of the State of California, executed that certain agreement dated February 26, 1963 for the supply and delivery of State Water Project (“**SWP**”) water (“**State Water Contract**”). The State Water Contract has been amended on numerous occasions, most recently by the Water Management Amendment in April, 2021.
- B. On November 12, 1991, the District and Central Coast Water Authority (“**CCWA**”) entered into the Transfer of Financial Responsibility Agreement whereby CCWA assumed responsibility for the District’s obligations pursuant to the State Water Contract.
- C. CCWA entered into a series of “Water Supply Agreements” with various cities, water districts, and other water supply retailers who purchase and deliver water to their customers, and other end users, in Santa Barbara County (each a “**CCWA Participant**” and collectively, the “**CCWA Participants**”).
- D. Heavy precipitation in Northern California watersheds has significantly increased the reservoir levels of the SWP, including two of the main reservoirs, Lake Oroville and San Luis Reservoir. Current indications are that the State of California’s share of San Luis Reservoir will fill this year. Once this occurs, DWR begins to “spill” water that was not used in the previous calendar year and carried over into 2023 pursuant to Article 56 of the State Water Contract (“**Carryover Water**”), meaning any Carryover Water is lost.
- E. CCWA has 3,831 acre-feet (“**AF**”) of Carryover Water stored in San Luis Reservoir. This water is subject to “spill” or loss if the State’s share of San Luis Reservoir completely fills before CCWA is able to take delivery of the Carryover Water.
- F. La Cumbre Mutual Water Company (“**La Cumbre**”), a CCWA Participant, has notified CCWA of an urgent need to prevent the loss of Carryover Water stored in San Luis Reservoir. For that purpose, CCWA proposes to enter into an agreement with Irvine Ranch Water District (“**IRWD**”), which receives SWP supplies from Municipal Water District of Orange County, a member unit of the Metropolitan Water District of Southern California (“**Metropolitan**”), which

holds a long-term water supply contract with DWR. IRWD owns a water bank (the “**IRWD Water Bank**”), located in Kern County and operated by Rosedale-Rio Bravo Water Storage District.

- G. Under the proposed agreement, 450 AF of CCWA’s SWP water stored in San Luis Reservoir (Carryover Water, 2023 Table A Amount, or schedulable Article 21 water) (“**Exchange Water**”) would be delivered to Metropolitan at the IRWD Water Bank for storage in 2023 and one-half of the total amount of Exchange Water, less any storage losses, would be returned to CCWA by the end of the sixth calendar year after the delivery of the Exchange Water (the “**Transfer/Exchange**”). The terms and conditions of the proposed Transfer/Exchange are described in the 2023 Short-Term Water Exchange Program Agreement between IRWD and CCWA dated March **XX**, 2023 (“**Transfer/Exchange Agreement**”), a copy of which is attached hereto as **Exhibit A**.
- H. The Transfer/Exchange is subject to the terms and conditions of the State Water Contract, as amended by the Water Management Amendment, and requires DWR’s approval. DWR’s approval of the Transfer/Exchange is anticipated in the form of a Change in Point of Delivery Agreement (“**DWR Agreement**”).
- I. To proceed with the Transfer/Exchange, La Cumbre will execute an agreement with CCWA (“**Purchase Agreement**”) whereby La Cumbre will agree to pay all costs associated with the Transfer/Exchange, and to be responsible for all obligations and liabilities associated with the Transfer/Exchange. The proposed Purchase Agreement is attached hereto as **Exhibit B**.
- J. The Purchase Agreement includes numerous conditions precedent to the effectiveness of CCWA’s approval of the Transfer/Exchange and execution of the associated agreements, including but not limited to CCWA’s receipt of payment and certification of certain matters required by Article 57(g) of the State Water Contract from La Cumbre.
- K. By email dated March 3, 2023, CCWA’s Executive Director transmitted a copy of the Transfer/Exchange Agreement to all parties that contract with DWR for SWP water (“**State Water Contractors**”) and to the Water Transfers Committee of the State Water Contractors Association.
- L. Because the District remains the contracting party to the State Water Contract for Santa Barbara County, DWR requires the District’s execution of the DWR Agreement, on behalf of CCWA. To obtain the District’s execution of the DWR Agreement, it is anticipated that the District will require CCWA to indemnify the District from all liabilities associated with the DWR Agreement, as provided in the proposed Assignment, Assumption, Indemnification and

Release Agreement (“**SBCFCWCD Agreement**”), a copy of which is attached hereto as **Exhibit C**.

- M. Prior to approving the Transfer/Exchange and executing the associated agreements, CCWA must comply with the California Environmental Quality Act (“**CEQA**”). The CCWA Board of Directors has considered, agrees with, and incorporates herein all of the findings made by the Executive Director in the Staff Report accompanying this Resolution, including but not limited to, the determinations that approval of the Transfer/Exchange is exempt from CEQA.

NOW, THEREFORE, BE IT RESOLVED as follows:

SECTION 1

The above recitals are true and correct and are incorporated herein as though set forth in full.

SECTION 2

As required by Article 57(g) of the State Water Contract, the Board of Directors finds:

1. CCWA has complied with all applicable laws.
2. CCWA has provided any required notices to public agencies and the public.
3. CCWA has provided the relevant terms to all contractors and to the Water Transfers Committee of the State Water Contractors Association.
4. CCWA is informed and believes that the Transfer/Exchange will not harm other contractors.
5. CCWA is informed and believes that the Transfer/Exchange will not adversely impact SWP operations.
6. CCWA is informed and believes that the Transfer/Exchange will not affect its ability to make all payments, including payments when due under the State Water Contract for CCWA’s share of the financing costs of the State’s Central Valley Project Revenue Bonds.
7. CCWA has considered the potential impacts of the Transfer/Exchange within its service area.

SECTION 3

Based on the findings set forth herein, the Board of Directors approves the Transfer/Exchange. Subject to the Executive Director's determination that the DWR Agreement is consistent with the Transfer/Exchange, as described in the Transfer/Exchange Agreement, the Board of Directors agrees to be bound by the DWR Agreement.

This Resolution shall take effect upon La Cumbre's satisfaction of the conditions precedent set forth in the Purchase Agreement.

SECTION 4

The Board of Directors authorizes the Executive Director to do and cause to be done any and all acts and things necessary or proper for carrying out the Transfer/Exchange, including but not limited to executing the Purchase Agreement with La Cumbre and making such non-substantive modifications to the Transfer/Exchange and associated Transfer/Exchange Agreement as may be required to obtain DWR's approval of the Transfer/Exchange.

Upon satisfaction of all of the conditions set forth in the Purchase Agreement, the Board of Directors further authorizes the Executive Director to execute the Transfer/Exchange Agreement with IRWD and to execute the SBCFCWCD Agreement, as may be required to obtain the District's execution of the DWR Agreement on behalf of CCWA, all on behalf of La Cumbre.

PASSED AND ADOPTED by the Board of Directors of the Central Coast Water Authority, this 8th day of March, 2023, by the following vote:

Eric Friedman, Chairman

Attest:

APPROVED AS TO FORM:
Brownstein Hyatt Farber Schreck LLP

Elizabeth Watkins
Secretary to the Board of Directors

Stephanie Osler Hastings

	VOTING PERCENTAGE	AYE	NAY	ABSTAIN	ABSENT
City of Buellton	2.21%	_____	_____	_____	_____
Carpinteria Valley Water District	7.64%	_____	_____	_____	_____
Goleta Water District	17.20%	_____	_____	_____	_____
City of Guadalupe	1.15%	_____	_____	_____	_____
Montecito Water District	9.50%	_____	_____	_____	_____
City of Santa Barbara	11.47%	_____	_____	_____	_____
City of Santa Maria	43.19%	_____	_____	_____	_____
Santa Ynez River Water Conservation District, Improvement District No. 1	7.64%	_____	_____	_____	_____

Exhibit:

- A. Transfer/Exchange Agreement
- B. Purchase Agreement
- C. SBCFCWCD Agreement



March __, 2023

Honorable Board of Directors
Central Coast Water Authority
255 Industrial Way
Buellton, CA 93427-9565

Re: 2023 Short-Term Water Exchange Program

Dear Members of the Board:

Please be advised that that the Board of Directors of Irvine Ranch Water District (“IRWD”) has determined to proceed with a six-year exchange program (“2023 Short Term Exchange Program”) with Central Coast Water Authority (“CCWA”) (IRWD and CCWA collectively are referred to as the “Parties” and each individually may be referred to as a “Party”).

The “2023 Short Term Exchange Program” means the program described in “Terms for a 2023 Short Term Exchange Program” (“Term Sheet”), which is attached hereto as Exhibit “A” and is incorporated herein by this reference. When you have countersigned below to indicate your acceptance, this letter and Term Sheet (collectively the “Letter Agreement”) will be an agreement between IRWD and CCWA that will constitute the “Exchange Program Agreement” referred to in the Term Sheet. Capitalized terms used herein and not otherwise defined shall have the definitions given such terms in the Term Sheet. The 2023 Short Term Exchange Program will be governed by the terms and conditions of this Letter Agreement, which includes the Term Sheet. In addition, the 2023 Short Term Exchange Program will be governed by the following terms and conditions, each and all of which terms and conditions are intended to supplement said Term Sheet and, to the extent inconsistent therewith, are intended to amend and replace said Term Sheet:

1. **Mediation:** The Parties agree that any and all disputes, claims or controversies regarding the 2023 Short Term Exchange Program and this Letter Agreement shall be submitted to mediation in a mutually agreeable venue and, if the matter is not resolved through mediation, then it may be submitted to any court of competent jurisdiction. Any affected Party may commence mediation by providing the other Party a written request for mediation, setting forth the subject of the dispute and the relief requested. The Parties shall cooperate with one another in selecting a mediator and in scheduling the mediation proceedings. The Parties covenant that they shall participate in the mediation in good faith, and that they shall share equally in costs charged by the mediator. The Parties agree that all offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or any of the mediator’s employees, are

confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. The provisions of this Letter Agreement with respect to mediation may be enforced by any Court of competent jurisdiction, and the Party seeking such enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the Party against whom such enforcement is ordered.

2. Release and Indemnification:

A. IRWD and its officers, agents, or employees shall not be liable for the control, carriage, handling, use, disposal, or distribution of Exchange Water upstream of the IRWD POD, or for the control, carriage, handling, use, disposal, or distribution of IRWD Return Water downstream of the CCWA POD, nor for any claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water, unless such damages or claims are a result of negligent, intentional or reckless misconduct on the part of IRWD.

B. CCWA and its officers, agents, and employees shall not be liable for the control, carriage, handling, use, disposal, or distribution of Exchange Water downstream of IRWD POD or for the control, carriage, handling, use, disposal, or distribution of Return Water upstream of the CCWA POD, nor for any claim of damage of any nature whatsoever, including, but not limited to, property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water, unless such damages or claims are a result of negligent, intentional or reckless misconduct on the part of CCWA.

C. Neither IRWD nor CCWA shall be liable to the other for any claims related to the impairment of the quality of water as a result of storage in the IRWD and/or Rosedale facilities or the aquifer from any cause.

D. Each Party will indemnify, defend, and hold the other harmless from any claims made by landowners in the respective Party's service area (in the case of IRWD, the service area will also include Rosedale's boundaries) as a result of activities of the indemnifying party or its diversion, control, carriage, handling, use, disposal or distribution of water into and out of storage in its performance under this Letter Agreement.

E. Each Party shall at all times indemnify, defend and save the other Party free and harmless from, and pay in full, any and all causes of action, claims, liabilities, obligations, demands, losses, judgments, damages or expenses, including reasonable attorney fees and costs ("third party claims") in any manner arising out of or connected with the indemnifying Party's activities in its performance under this Letter Agreement, including but not limited to any third party claims asserting a prior right, or interference with a right, to water delivered from one Party to the other, except to the extent the indemnifying Party is relieved of responsibility therefor under sections 2(A) or 2(B), and excepting any loss, damage or expense and claims for loss, damage or expense resulting in any manner from the negligent, intentional or reckless act or acts of the other Party, or its Board of Directors, officers, representatives, consultants, contractors, agents or employees, and further exempting any loss, damage or expense and claims for loss,

damage or expense resulting in any manner from the other Party's breach of contract.

In the event a Party entitled to indemnification under this Paragraph 2.A is made a party to any action, lawsuit, or other adversarial proceeding brought by a third party, then (1) the indemnifying Party shall provide a defense to the other or, at the indemnitee's option, reimburse the indemnitee its costs of defense, including reasonable attorneys' fees, incurred in defense of such third party claims, and (2) the indemnifying Party shall promptly pay any final judgment or portion thereof rendered against the indemnitee(s).

3. Notices: All written notices required to be given pursuant to the terms of the Term Sheet or this Letter Agreement shall be either (i) personally delivered, (ii) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by overnight courier service, or (iv) delivered by facsimile transmission or e-mail, provided that the original of such notice is sent by certified United States mail, postage prepaid, or by overnight courier, no later than one (1) business day following such facsimile transmission or email. All such notices shall be deemed delivered upon actual receipt (or upon first attempt at delivery pursuant to the methods specified in clauses (i), (ii) or (iii) above if the intended recipient refuses to accept delivery). All such notices shall be delivered to the addresses shown in this Letter Agreement or to such other address as the receiving Party may from time to time specify by written notice to the other Party given in the manner provided herein.

4. Representations and Warranties:

- (A) Each of the Parties represents and warrants to the other Party that each is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Letter Agreement, and that the execution, delivery and performance of these documents have been duly authorized by all necessary action of the board of directors or other governing body of such Party, and shall not result in a violation of such Party's organizational documents.
- (B) CCWA represents and agrees that CCWA has and, at all times during the term of this Letter Agreement shall have, insurance coverage for its facilities and operations, including those facilities owned or operated by CCWA and those operations by CCWA involved in the delivery of Exchange Water to the IRWD POD and receipt of Return Water from the CCWA POD.
- (C) CCWA has legally enforceable rights to the Exchange Water and to deliver the Exchange Water to IRWD and to carry out its performance under the terms of this Letter Agreement.
- (D) CCWA represents and warrants that entry into this Letter Agreement does not create or result in the breach of any other agreement to which CCWA is a party or to which CCWA is otherwise subject to or bound.
- (E) CCWA represents and warrants that, to its knowledge at the time CCWA executed this Letter Agreement, there is no pending or threatened litigation involving CCWA that will affect this Letter Agreement.

- (F) IRWD represents and agrees that IRWD has and, at all times during the term of this Letter Agreement shall have, insurance coverage for its facilities and operations, including those facilities owned or operated by IRWD and those operations by IRWD involved in the receipt of Exchange Water at the IRWD POD and the delivery of Return Water to the CCWA POD.
- (G) IRWD represents and warrants that entry into this Letter Agreement does not create or result in the breach of any other agreement to which IRWD is a party or to which IRWD is otherwise subject to or bound.
- (H) IRWD has legally enforceable rights to carry out its performance under the terms of this Letter Agreement.
- (I) IRWD represents and warrants that, to its knowledge at the time IRWD executed this Letter Agreement, there is no pending or threatened litigation involving IRWD that will affect this Letter Agreement.
- (J) Prior to commencement of the delivery of Exchange Water pursuant hereto, there has been completed an environmental review under the California Environmental Quality Act (“CEQA”) with respect to the Strand Ranch Integrated Banking Project and the Stockdale Integrated Banking Project and the use of water therein by IRWD, and the Environmental Impact Reports (EIRs) for the Projects were certified on May 27, 2008 and December 8, 2015, respectively. To IRWD’s knowledge, no actions or proceedings have been initiated attacking the validity of such EIRs.
- (K) The Parties have relied on the forgoing representations, warranties, and covenants as a material inducement to execute this Letter Agreement, and should any material representation not be correct or true, it shall constitute a material breach of this Letter Agreement.

5. Increase in Maximum Account Balance; Expansion and Long-Term Agreement: IRWD, with the consent of the Metropolitan Water District of Southern California (“Metropolitan”), may offer CCWA the ability to increase the delivery of Exchange Water and the Maximum Account Balance and/or extend the term of this Letter Agreement, including the period during which CCWA may deliver Exchange Water, as specified in the Term Sheet paragraph entitled “Quantity,” by giving a written notice to CCWA, without the need for any amendment of this Letter Agreement.

The Parties may enter into a long-term exchange program agreement based on terms agreeable to both Parties that would provide for the storage and exchange of CCWA State Water Project water supplies using increased storage, recharge and recovery capacity that may be available to IRWD.

6. Termination For Breach. Either Party may terminate this Letter Agreement if the other Party breaches any material obligation under this Letter Agreement and such breach continues for a period of sixty (60) days, or such other period as may be reasonable under the circumstances, after the date on which written notice is issued by the non-breaching Party. The

non-breaching Party shall be entitled to seek any and all legal or equitable damages and/or remedies as a result of the breaching Party's breach.

In the event that either IRWD or CCWA is in material default of this Agreement, the non-defaulting Party shall provide written notice to the defaulting Party, identifying with reasonable specificity the nature of the claimed default. If the defaulting Party has not cured the event(s) of material default which is (are) identified in the notice required by this section within twenty (20) business days after receipt of written notification, or such other period as is reasonable under the circumstances, the non-defaulting Party shall be entitled to any and all remedies that may be available to it at law or in equity. This provision is not intended to provide a separate termination right, which is set forth in the first paragraph of this Section.

7. Governing Law: The Term Sheet and this Letter Agreement shall be construed and enforced in accordance with the laws of the State of California.

8. Amendments: No amendment of the Term Sheet or this Letter Agreement shall be binding upon the Parties unless it is in writing and executed by both of the Parties.

9. Further Action: The Parties agree to and shall take such further action and execute and deliver such additional documents as may be reasonably required to effectuate the 2023 Short Term Exchange Program, consistent with each and all of the terms and conditions of the Term Sheet and this Letter Agreement.

10. Assignment: No Party shall assign or otherwise transfer its rights or obligations in, under or to the 2023 Short Term Exchange Program established and defined by this Letter Agreement, in whole or in part, without the prior written consent of the other Party. All covenants and agreements contained in the Term Sheet and this Letter Agreement shall bind and inure to the benefit of the Parties' respective successors and permitted assigns.

11. Force Majeure; Change In Law. The respective obligations of each Party hereto shall be suspended while it is prevented from complying by: acts of God; war; riots; civil insurrection; acts of civil or military authority; fires; floods; earthquakes; labor accidents or incidents; rules and regulations of any federal, state, or other governmental agency (other than the Parties themselves); changes in law, rules, or regulations of any federal, state or other governmental agency (other than the Parties themselves); or other cause of the same or other character any of which are beyond the reasonable control of such Party (collectively, "Force Majeure"). In the event of a suspension due to the foregoing, the Party whose obligations are suspended shall promptly notify the other Party in writing of such suspension and the cause and estimated duration of such suspension.

The Party providing such notice shall be excused from fulfilling its obligations under this Agreement until such time as the Force Majeure has ceased to prevent performance or other remedial action is taken, at which time the Party shall promptly notify the other Party of the resumption of its obligations under this Letter Agreement. Any Party rendered unable to fulfill any of its obligations by reason of a Force Majeure shall exercise due diligence to remove such inability with reasonable dispatch within a reasonable time period and mitigate the effects of the Force Majeure. The relief from performance shall be of no greater scope and of no longer duration than is required by the Force Majeure.

12. Joint Drafting and Negotiation: This Letter Agreement, including its Term Sheet, has been jointly negotiated and drafted. The language of each shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 or similar judicial rules of construction. Each Party acknowledges that it has had the opportunity to seek the advice of experts and legal counsel prior to executing said documents and that it is fully aware of and understands all of their respective terms and the legal consequences thereof.

13. Headings. Headings used in this Letter Agreement are for reference only and shall not affect the construction of this Letter Agreement.

14. No Third Party Beneficiaries. No third party beneficiaries are intended by the Parties hereto, and no third party shall be entitled to claim or enforce any rights under this Letter Agreement.

15. Severability. In the event that any provision of this Letter Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of this Letter Agreement taken as a whole and legally valid. The remainder of this Letter Agreement shall not be affected thereby.

16. Successors and Permitted Assigns. All covenants and agreements contained in this Letter Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors and permitted assigns under Section 10, whether so expressed or not.

17. No Effect on Short-Term Water Storage Partnership. The 2023 Short-Term Exchange Program governed by this Letter Agreement is independent from, shall have no impact upon, and shall not be impacted by: (1) the 2019 Letter Agreement governing the 2019 Short-Term Exchange Program between IRWD and CCWA, as amended; (2) the 2017 Letter Agreement governing the 2017 Short-Term Water Exchange Project between IRWD and CCWA; (3) the Short-Term Water Storage Partnership governed by the letter agreement and other documents dated March 10, 2008, between IRWD and Carpinteria Valley Water District (CVWD); and (4) the Short-Term Water Storage Partnership – Pilot Exchange Program governed by the letter agreement and other documents dated October 12, 2011, between IRWD and CVWD.

18. Approval by DWR. The effectiveness of this Letter Agreement shall be contingent upon consent to the herein-described transaction by Metropolitan, as indicated by its signature below, and approval of the herein-described transaction by the Santa Barbara County Flood Control and Water Conservation District and the California Department of Water Resources ("DWR"). If Metropolitan does not consent, or if the Santa Barbara County Flood Control and Water Conservation District, or the Kern County Water Agency or DWR disapproves the transaction described herein, this Letter Agreement shall not be effective; provided, the Parties may mutually agree to and make any reasonable modifications to this Letter Agreement that they determine are necessary to gain such consent or approval.

By its signature hereon, IRWD accepts the Term Sheet, as amended and supplemented by the terms and provisions contained in this letter to form the Letter Agreement. Please indicate the acceptance of CCWA of the Term Sheet, as amended and supplemented by the terms and provisions contained in this letter to form the Letter Agreement, by signing and returning the

enclosed copy. Thank you for your cooperation.

IRWD intends that this Letter Agreement, including its Term Sheet, are consistent with, and are entered into by IRWD pursuant to, that certain Water Banking and Exchange Program Agreement between Rosedale and IRWD dated as of February 4, 2016 and that certain Water Banking and Exchange Program Agreement between Rosedale and IRWD dated as of January 13, 2009.

This Letter Agreement may be signed in counterparts, each of which shall be deemed an original, and when taken together shall constitute one in the same instrument.

Sincerely,

IRVINE RANCH WATER DISTRICT

By: _____
General Manager

READ, APPROVED AND ACCEPTED:

CENTRAL COAST WATER AUTHORITY

By: _____
Title:

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CONSENT:

In accordance with Paragraph 3.2 of that agreement entitled “Coordinated Operating, Water Storage, Exchange and Delivery Agreement,” (the “COA”) dated as of April 21, 2011, by and among The Metropolitan Water District of Southern California (“Metropolitan”), the Municipal Water District of Orange County and the Irvine Ranch Water District, and in accordance with Section 15(d) of Metropolitan’s State Water Project Contract with the California Department of Water Resources, THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA hereby provides its written consent to IRWD’s acquisition of State Water Project Water on Metropolitan’s behalf as described in the 2023 Short-Term Exchange Program defined herein, so long as that water meets the requirements of the COA.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Title:

CENTRAL COAST WATER AUTHORITY
2023 SHORT-TERM EXCHANGE PROGRAM

PURCHASE AGREEMENT
re. Irvine Ranch Water District

This 2023 Short-Term Exchange Program Purchase Agreement (“**Agreement**”) is made as of March **XX**, 2023 by

CENTRAL COAST WATER AUTHORITY (“**CCWA**”)

and

LA CUMBRE MUTUAL WATER COMPANY (“**Contractor**”) (each, a “**Party**,” and together, the “**Parties**”).

RECITALS

A. Pursuant to the Transfer of Financial Responsibility Agreement, the Santa Barbara County Flood Control and Water Conservation District (“**SBCFCWCD**”) transferred to CCWA, and CCWA accepted and assumed, all rights and obligations to the State Water Supply Contract (“**State Water Contract**”) between SBCFCWCD and the Department of Water Resources (“**DWR**”) that provides for the delivery of water from California’s State Water Project (“**SWP**”) to portions of Santa Barbara County.

B. Additionally, CCWA owns, operates and maintains water conveyance, storage and treatment facilities to deliver water made available to CCWA pursuant to the State Water Contract to cities, water districts and other water purveyors and users in portions of Santa Barbara County pursuant to one or more water supply agreements (collectively, the “**CCWA Participants**”).

C. CCWA and Contractor are parties to a water supply agreement (“**Water Supply Agreement**”), as amended from time to time, related to the matters described in Recitals A and B.

D. Heavy precipitation in Northern California watersheds has significantly increased the reservoir levels of the SWP, including two of the main reservoirs, Lake Oroville and San Luis Reservoir. Current indications are that the State of California’s share of San Luis Reservoir will fill this year. Once this occurs, DWR begins to “spill” water that was not used in the previous calendar year and carried over into 2023 pursuant to Article 56 of the State Water Contract (“**Carryover Water**”), meaning any Carryover Water is lost.

E. CCWA has Carryover Water stored in San Luis Reservoir. This water is subject to “spill” or loss if the State’s share of San Luis Reservoir completely fills before CCWA is able to take delivery of the Carryover Water.

F. Contractor has notified CCWA of an urgent need to prevent the loss of up to 450 AF of Contractor's allocation of CCWA's Carryover Water stored in San Luis Reservoir (the "**Contractor's Carryover Water**"). For that purpose, CCWA has identified an opportunity to enter into an agreement with Irvine Ranch Water District ("**IRWD**"). IRWD receives SWP supplies from Municipal Water District of Orange County, a member unit of the Metropolitan Water District of Southern California ("**Metropolitan**"), which holds a long-term water supply contract with DWR. IRWD also owns a water bank (the "**IRWD Water Bank**"), located in Kern County that is operated by Rosedale-Rio Bravo Water Storage District.

G. Under the agreement between IRWD and CCWA ("**Transfer/Exchange Agreement**") attached hereto as **Exhibit A**, up to 450 AF of CCWA's SWP water stored in San Luis Reservoir (Carryover Water and/or 2023 Table A Amount) ("**Exchange Water**"), including Contractor's Carryover Water, would be delivered to Metropolitan at the IRWD Water Bank for storage in 2023 and one-half of the total amount of Exchange Water, less any storage losses, would be returned to CCWA by the end of the sixth calendar year after the delivery of the Exchange Water (the "**Transfer/Exchange**").

H. The Parties anticipate that numerous approvals will be required to effectuate the Transfer/Exchange, including DWR's approval of the Transfer/Exchange in the form of one or more contracts (collectively, "**DWR Approval Agreement**"), and that the DWR Approval Agreement will require that SBCFCWCD, as party to the State Water Contract, execute the DWR Approval Agreement on behalf of CCWA and further, that as a condition precedent to executing the DWR Approval Agreement, SBCFCWCD will require CCWA to enter into an SBCFCWCD Agreement, as this term is defined in Paragraph 4.3 of this Agreement, to indemnify and release the SBCFCWCD from any liabilities arising from or related to the Transfer/Exchange.

I. The Parties desire to enter into this Agreement to set forth the rights, responsibilities and obligations of the Parties as it relates to the proposed Transfer/Exchange.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follow:

AGREEMENT

1. Purpose and Intent. The purpose of this Agreement is to provide for CCWA's participation in the Transfer/Exchange on behalf of Contractor in exchange for Contractor's payment of CCWA's Total Expenses, as that term is defined in Paragraph 5.2, and assumption of all liability arising out of and associated with such activities. It is the intention of the Parties that neither CCWA nor any CCWA Participant that is not the Contractor shall incur any expense or liability related to or arising under this Agreement or the related Transfer/Exchange.

2. Compliance with all Laws. The Parties' respective obligations pursuant to this Agreement are contingent upon compliance with all applicable laws and legal requirements associated with the Transfer/Exchange, including but not limited to the California Environmental

Quality Act (Pub. Res. Code, § 21000 et seq.) (“CEQA”), and securing any required consents, approvals, permits or orders necessary to effectuate the Transfer/Exchange.

3. Delivery, Acceptance and Assumption

3.1 CCWA agrees to deliver Contractor’s Carryover Water to Metropolitan at the IRWD Water Bank for storage in 2023 and to accept return of one-half of the total amount of Contractor’s Carryover Water, less any storage losses, on behalf of Contractor pursuant to: (a) the terms of the Transfer/Exchange Agreement, and (b) the DWR Approval Agreement.

4. Procedure and Conditions

4.1 CCWA’s Board of Directors will hold a meeting to consider whether to approve or deny the Transfer/Exchange Agreement by adopting a resolution or other appropriate document in compliance with the State Water Contract and all applicable laws and authorizing the CCWA Executive Director to execute all agreements necessary to effectuate the Transfer/Exchange, as further provided in this Paragraph 4.

4.2 CCWA’s Board of Directors’ consideration of the Transfer/Exchange Agreement is expressly conditioned upon, and subject to, all of the following:

4.2.1 CCWA, acting in its sole and absolute discretion, shall comply with CEQA and all other applicable laws.

4.2.2 Contractor shall have delivered the deposit and all other payments due to CCWA pursuant to this Agreement and shall not be in default of this Agreement.

4.2.3 Contractor shall have certified by resolution or other appropriate document all of the matters set forth in this Paragraph 4.2.3 and delivered said certification to CCWA.

a. Contractor has complied with all applicable laws, including as applicable, CEQA.

b. Contractor has provided any required notices to public agencies and the public.

c. Contractor is informed and believes that the Transfer/Exchange will not harm other CCWA Participants or State Water Contractors.

d. Contractor is informed and believes that the Transfer/Exchange will not adversely impact CCWA or State Water Project operations.

e. Contractor is informed and believes that the Transfer/Exchange will not affect its ability to make all payments, including payments when due under the Water Supply Agreement and this Agreement.

f. Contractor has considered the potential impacts of the Transfer/Exchange within its service area.

4.1 CCWA Execution of Transfer/Exchange Agreement. In the event CCWA’s Board of Directors approves the Transfer/Exchange, and provided that Contractor has satisfied all obligations and conditions precedent set forth in this Agreement, CCWA’s Executive Director will endeavor to timely execute the Transfer/Exchange Agreement.

4.2 CCWA Review of DWR Approval Agreement. Upon receipt of the proposed DWR Approval Agreement for the Transfer/Exchange, CCWA’s Executive Director will endeavor to timely review the DWR Approval Agreement to determine whether it is consistent with the terms and conditions of the Transfer/Exchange Agreement.

4.3 SBCFCWCD Agreement As may be required to obtain the SBCFCWCD’s execution of any DWR Approval Agreement, Contractor requests that CCWA agree to indemnify SBCFCWCD by executing an Assignment, Assumption, Indemnification and Release Agreement in the form attached hereto as **Exhibit B (“SBCFCWCD Agreement”)**. Upon CCWA’s execution of the SBCFCWCD Agreement, as provided in this Paragraph 4.3, the Parties agree and acknowledge that Contractor agrees to and shall be bound to CCWA under the terms of the SBCFCWCD Agreement, just as CCWA is bound to SBCFCWCD by the terms of the SBCFCWCD Agreement. Contractor also shall be bound to CCWA under the terms of any other commitments by CCWA in connection with the Transfer/Exchange, just as CCWA is bound under said commitments.

4.3.2 Upon CCWA’s determination that the DWR Approval Agreement is consistent with the terms and conditions of the Transfer/Exchange Agreement, and provided that Contractor has satisfied all obligations and conditions precedent set forth in this Agreement, and further provided that CCWA’s Board of Directors has approved the Transfer/Exchange, CCWA’s Executive Director will endeavor to timely execute and deliver the SBCFCWCD Agreement to SBCFCWCD and request SBCFCWCD’s execution of the DWR Approval Agreement on behalf of CCWA.

4.4 Delivery. In the event DWR approves the Transfer/Exchange pursuant to the terms and conditions of the State Water Contract and all contracting parties to the DWR Approval Agreement execute the DWR Approval Agreement, CCWA shall coordinate with DWR to carry out the Transfer/Exchange with respect to the Contractor’s Carryover Water pursuant to the terms and conditions of the DWR Approval Agreement, the Transfer/Exchange Agreement, and Contractor’s Water Supply Agreement. In the event of a conflict between this Agreement and the Water Supply Agreement, the terms and conditions of this Agreement shall prevail.

4.5 Failure of Conditions. In the event DWR approval is not obtained, or all contracting parties to the DWR Approval Agreement fail to execute the DWR Approval Agreement, CCWA may terminate this Agreement as provided in Paragraph 11.2.

5. Allocation of Costs; Deposit; Contractor Payment

5.1 Contractor shall pay to CCWA all of CCWA’s Total Expenses (as defined in Paragraph 5.2).

5.2 **“Total Expenses”** shall include: (i) all payments made by CCWA to IRWD pursuant to the Transfer/Exchange Agreement (**“Transfer/Exchange Agreement Expenses”**), (ii) all Contractor’s Carryover Water delivered to Metropolitan at the IRWD Water Bank for storage in 2023 pursuant to the Transfer/Exchange Agreement (**“Contractor’s Exchange Water”**) and all water losses associated with Contractor’s Exchange Water incurred in the Transfer/Exchange; (iii) all costs incurred by CCWA pursuant to the DWR Approval Agreement, and (iv) all other out-of-pocket expenditures made by CCWA pursuant to this Agreement (**“CCWA Expenses”**). Contractor’s Exchange Water may include any water available to Contractor that satisfies the terms and conditions of the Transfer/Exchange Agreement. CCWA Expenses include, but not be limited to, consultant and legal expenses, any expenses associated with CCWA’s compliance with CEQA, any expenses associated with securing any required approvals, any expenses incurred by CCWA in defense of this Agreement or any other agreement related to the Transfer/Exchange to which CCWA is a party, including but not limited to the Transfer/Exchange Agreement and the SBCFCWCD Agreement, and any other costs related to or arising out of the Transfer/Exchange or this Agreement.

5.3 **Deposit.** Prior to execution of this Agreement, CCWA prepared and delivered to Contractor an estimate of the Contractor’s anticipated financial obligations hereunder with respect to the Transfer/Exchange. Concurrently with execution of this Agreement, Contractor shall place on deposit with CCWA the amount stated in the estimate.

5.4 **Invoices and Payments.** In the event CCWA reasonably determines that the deposit paid by Contractor to CCWA pursuant to Paragraph 5.3 will be insufficient to cover Contractor’s financial obligations hereunder, CCWA is authorized to deliver to the Contractor a revised estimate of those financial obligations and an invoice for an additional deposit. Contractor shall remit the amount stated in the invoice within thirty (30) days of receipt.

5.5 **Reconciliation.** Upon termination of this Agreement, CCWA shall provide to Contractor an accounting of the actual Total Expenses Contractor is obligated to pay hereunder. Any overpayment by Contractor shall be promptly refunded by CCWA and any underpayment by Contractor shall be promptly paid to CCWA. For clarity, in the event that (i) the conditions precedent set forth in Paragraph 4.2 are not satisfied, and/or (ii) CCWA approval or any other approval required by the Transfer/Exchange Agreement is not received, CCWA shall only be obligated to refund Contractor’s deposit of its Transfer/Exchange Agreement Expenses that are returned to CCWA from IRWD. CCWA shall not be obligated to refund any CCWA Expenses incurred.

6. Cooperation; Contractor’s Representative

6.1 **Cooperation.** Contractor acknowledges that CCWA’s ability to coordinate to carry out the Transfer/Exchange with respect to the Contractor’s Carryover Water, and to fulfill all other obligations of the Transfer/Exchange Agreement, requires Contractor’s cooperation. Contractor shall reasonably cooperate with CCWA, at CCWA’s request, in all ways as may be necessary to carry out the terms and conditions of this Agreement.

6.2 **Contractor’s Representative.** Concurrent with Contractor’s execution of this Agreement, in the signature block of this Agreement, Contractor shall identify and provide the

name and contact information for Contractor's authorized representative ("**Authorized Representative**") with full authority to grant, provide and enter into, by and on behalf of Contractor, any and all consents, approvals, instructions, authorizations or agreements by Contractor in connection with this Agreement (collectively, "**Contractor Directions**"). CCWA shall be entitled to rely upon, without inquiry, the full authority of Contractor's designated representative. Without limiting the foregoing, Contractor's Representative shall be solely responsible for requesting and obtaining in advance any special or further authorizations on behalf of Contractor that may be necessary in connection with any Contractor Directions given to CCWA hereunder and CCWA may assume, without further inquiry, that all such authorizations have been obtained. Contractor may designate a different individual as its representative in connection with this Agreement at any time by providing written notice to CCWA pursuant to this Paragraph.

7. Obligation in the Event of Default

7.1 Written Demand Upon Failure to Make Payment or Perform Obligation

7.1.1 Upon Contractor's failure to make any payment in full when due under this Agreement or to perform any other obligation hereunder, CCWA shall make written demand upon Contractor, and if such failure is not remedied within thirty (30) days from the date of such demand, such failure shall constitute a default.

7.1.2 Upon failure of CCWA to perform any obligation of CCWA hereunder, Contractor shall make written demand upon CCWA, and if said failure is not remedied within thirty (30) days from the date of such demand, such failure shall constitute a default. Contractor shall also provide a copy of the notice of such demand to CCWA.

7.2 Contractor's Failure to Make Payment. Upon Contractor's failure to make any payment or to perform any other obligation hereunder, which failure constitutes a default under this Agreement, Contractor agrees that CCWA may take any or all of the following actions, in its sole and absolute discretion:

7.2.1 CCWA may terminate this Agreement, as provided in Paragraph 11.2.

7.2.2 CCWA may use any funds held by CCWA as credits payable to Contractor, including "O&M Year-end Credits" and any other credits held by CCWA for the benefit of Contractor not already designated to pay an obligation of Contractor, and any cash that Contractor has on deposit with CCWA in the "DWR Reserve Fund" or the "Rate Coverage Reserve Fund," to satisfy Contractor's obligations pursuant to this Agreement, in whole or in part. CCWA shall provide to Contractor an accounting of any such Contractor credits or deposits applied.

7.2.3 CCWA may use any water otherwise available for delivery by CCWA to Contractor pursuant to Contractor's Water Supply Agreement to carry out the Transfer/Exchange with respect to the Contractor's Carryover Water pursuant to this Agreement, in whole or in part.

8. Disclaimer of Liability

8.1 Contractor acknowledges and agrees that CCWA is in good faith facilitating the Transfer/Exchange on behalf of Contractor, in exchange for Contractor's full reimbursement of CCWA's Total Expenses and full assumption of CCWA's liabilities related to or arising out of this Agreement and any related agreements pertaining to the Transfer/Exchange. As a result, it is the intent and agreement of the Contractor and CCWA that CCWA shall not incur any cost or liability for such assistance to Contractor for any cause, except for CCWA's sole negligence, willful misconduct, or breach of contract.

8.2 To the maximum extent permitted by law, neither CCWA, nor any of its elected officials, officers, agents, employees, consultants, or attorneys, nor any of the CCWA Participants who are not the Contractor, shall be liable to Contractor pursuant to this Agreement or otherwise for any claims, liabilities, damages, losses, actions, penalties, proceedings, or expenses in the event any condition precedent to this Agreement is not satisfied, any approval required to permit the Transfer/Exchange is not obtained or is conditioned in any manner that is not acceptable to Contractor, or CCWA is unable to carry out any aspect of the Transfer/Exchange with respect to the Contractor's Carryover Water, except for CCWA's sole negligence, willful misconduct, or breach of contract.

9. Indemnification and Defense

9.1 Indemnification. Contractor ("**Indemnifying Party**") agrees to indemnify, defend, protect and hold harmless CCWA and its officers, directors, employees, agents, consultants and attorneys and CCWA Participants who are not the Contractor (each an "**Indemnified Party**" and collectively, the "**Indemnified Parties**") from and against any and all claims, actions, liabilities, damages, losses and expenses, including attorneys', paralegals', consultants', and experts' fees, costs and expenses, arising from or relating to this Agreement and any related agreements pertaining to the Transfer/Exchange, whether claims, actions, liabilities, damages, losses or expenses arise prior to or following termination or expiration of this Agreement, except to the extent any liability, loss, cost or expense is caused by the Indemnified Party's sole negligence, willful misconduct, or breach of contract.

9.2 Defense of Action. If requested by the Indemnified Party, the Indemnifying Party shall assume on behalf of the Indemnified Party, and conduct with due diligence and in good faith, the defense of such Indemnified Party with counsel reasonably satisfactory to the Indemnified Party; provided, however, that if the Indemnifying Party is a defendant in any such action and the Indemnified Party reasonably believes that there may be legal defenses available to it that are inconsistent with those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel to participate in its defense of such action at the Indemnifying Party's expense. If any claim, action, proceeding or investigation arises as to which the indemnity provided for in Paragraph 9.1 applies, and the Indemnifying Party fails to assume the defense of such claim, action, proceeding or investigation after having been requested to do so by the Indemnified Party, then the Indemnified Party may, at the Indemnifying Party's expense, contest or, with the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, settle such claim, action, proceeding or investigation. All costs and expenses incurred by the Indemnified Party in connection with any such contest or settlement shall be paid upon demand by the Indemnifying Party.

10. Remedies

10.1 If either Party does not timely perform its obligations pursuant to this Agreement, the other Party shall be entitled to proceed to protect and enforce its rights as provided in this Agreement by such appropriate judicial proceedings as said Party may deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested by this Agreement or by law. The provisions of this Agreement and the duties of each Party and of its elected officials, officers, agents, or employees shall be enforceable by CCWA by mandamus or other appropriate suit, action, or proceeding in any court of competent jurisdiction.

10.2 The Parties agree that in the event of a default or breach of this Agreement, the other Party shall have all remedies in law or equity available to them, including specific performance and termination of this Agreement, and no remedy or election shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

11. Term; Termination

11.1 Except as otherwise provided in this Agreement, the term of this Agreement shall commence on the last date this Agreement is executed by both Parties (“**Effective Date**”) and shall continue until the termination of the DWR Approval Agreement, or until Contractor’s final payment to CCWA of all costs attributable to this Agreement, whichever is later.

11.2 In the event any of the conditions required by this Agreement are not satisfied, CCWA may terminate this Agreement with notice to Contractor.

11.3 In the event Contractor fails to make any payment required by this Agreement, CCWA may terminate this Agreement with notice to Contractor.

11.4 This Agreement may be terminated with the mutual consent of CCWA and the Contractor.

11.5 Notwithstanding any provision in this Agreement to the contrary, the payment obligations of Contractor to CCWA under this Agreement shall continue in full force and effect and the obligations set forth in Paragraphs 4.3, 7, 8, 9, and 10 shall survive in full force and effect until the expiration of the applicable statute of limitations, or any claim or litigation concerning this Agreement within the applicable statute of limitations is finally resolved, whichever occurs later.

12. General Provisions

12.1 Assignability. This Agreement shall not be assigned by Contractor without the prior written consent of CCWA, which consent shall not be unreasonably withheld. Any attempted assignment without the prior written approval of CCWA shall be void.

12.2 Attorneys’ Fees. In any action to enforce or interpret this Agreement, the prevailing party shall recover from the non-prevailing party, in addition to any damages, injunctive or other relief, all costs (whether or not allowable as “cost” items by law) reasonably incurred by the

prevailing party at, before and after trial or on appeal, or in any bankruptcy proceeding, including attorneys' and witness (expert and otherwise) fees, deposition costs, copying charges and other expenses.

12.3 Construction. The provisions of this Agreement should be liberally construed to effectuate its purposes. The language of all parts of this Agreement shall be construed simply according to its plain meaning. Any rule of contract interpretation to the effect that ambiguities or uncertainties are to be interpreted against the drafting party or the party who caused it to exist shall not be employed in the interpretation of this Agreement or any document executed in connection herewith, as each party has participated in the drafting of this document and had the opportunity to have their legal counsel review it. The Recitals to this Agreement are incorporated herein and made a part hereof by this reference. The headings in this Agreement are for convenience of reference only and shall not be used in construing this Agreement. The defined terms in this Agreement shall apply equally to both the singular and the plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The terms "person" and "party" include individuals, corporations, partnerships, trust, and other entities and associations. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation."

12.4 Counterparts; Electronic Signatures; Delivery by Email. The Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which when taken together shall constitute one and the same document. Counterparts may be delivered via electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docuSign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

12.5 Due Authority. Each Party hereby represents and warrants that the individual(s) executing this Agreement are expressly authorized to do so on behalf of such Party and to bind that party to perform all acts required by this Agreement, and that the consent, approval, or execution of or by any additional person or party is not required to legally bind that party to the terms and conditions of this Agreement.

12.6 Entire Agreement; Modification. The making, execution and delivery of this Agreement have not been induced by any representations, statements, warranties or agreements other than those herein expressed. This Agreement constitutes the entire agreement and understanding of the Parties concerning the subject matter hereof. This Agreement supersedes all prior negotiations, agreements, representation and understandings of the Parties relating to the subject matter hereof, including any similar agreements from prior years. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all Parties.

12.7 Good Faith. The Parties agree to exercise their best efforts and utmost good faith to effectuate all the terms and conditions of this Agreement and to execute such further instruments and documents as are necessary or appropriate to effectuate all of the terms and conditions of this Agreement.

12.8 Governing Law; Venue. This Agreement and all matters relating to this Agreement shall be governed by the laws of the State of California, without regard to principles of conflicts of laws. Venue for any disputes under this Agreement shall be in Santa Barbara County, California.

12.9 Legal Advice. Each Party has received independent legal advice from its attorneys with respect to the advisability of executing this Agreement and the meaning of the provisions of this Agreement.

12.10 No Agency. This Agreement shall not create, nor shall it be construed to create, any agency, partnership or similar relationship among the Parties.

12.11 Notices. All notices, approvals, acceptances, requests, demands and other communications required or permitted under this Agreement, to be effective, shall be in writing and shall be delivered, either in person or by email or by Federal Express or other similar overnight delivery service, to the Authorized Representative of the Party to whom the notice is directed. Any communication given by email shall be deemed delivered on such mailing date and any communication given by overnight service shall be deemed delivered one (1) business day after the dispatch date. Either party may change its email and overnight service addresses by giving the other party written notice of its new addresses.

12.12 Severability. If any provision of this Agreement or its application to any party or circumstance is held invalid or unenforceable, then the remainder of this Agreement and the affected provision to the extent it is not so held shall remain valid and enforceable and in full force and effect. The forgoing shall not apply, however, if the invalid or unenforceable provision in question or, as applicable, the portion or application thereof held invalid or unenforceable, is a fundamental and material provision of this Agreement.

12.13 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

12.14 Third Party Beneficiary; Enforcement. The Parties agree that this Agreement is for the benefit of (i) Contractor, (ii) CCWA, and (iii) all CCWA Participants who are not the Contractor, and all of the aforementioned entities and persons shall be entitled to enforce the provisions of this Agreement.

12.15 Time of the Essence. Except as otherwise provided in this Agreement, time is of the essence with respect to this Agreement and the performance of each and every obligation contained in this Agreement.

12.16 Time for Performance. Notwithstanding any provision of this Agreement to the contrary, in the event a Party fails to perform any obligation under this Agreement (other than an obligation to pay money) because of strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes for labor or materials, government or judicial actions, inclement weather or other causes beyond its reasonable control, that failure will not constitute a default under this Agreement, and the performance in question will be excused during the period in which the cause for failure continues.

–signatures follow on next page–

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date first written above.

CENTRAL COAST WATER AUTHORITY

By: _____ Date: _____
Name: Ray A. Stokes
Title: Executive Director

Approved as to form:

Brownstein Hyatt Farber Schreck

By: _____
Name: Stephanie Osler Hastings

Authorized Representative:

Central Coast Water Authority
255 Industrial Way
Buellton, CA 93427
Attn: Ray Stokes, Executive Director
Telephone: (805) 688-2292
Email: RAS@ccwa.com

LA CUMBRE MUTUAL WATER COMPANY

By: _____ Date: _____
Name: Michael Alvarado
Title: General Manager

Approved as to form:

Price, Postel & Parma LLP

By: _____
Name: Mark S. Manion

Authorized Representative:

La Cumbre Mutual Water Company
695 Via Tranquila
Santa Barbara, CA 93110
Attn: Michael Alvarado
Telephone: (805) 967-2376 Ext 115
Email: MAAlvarado@lacumbrewater.com

Exhibit A: Transfer/Exchange Agreement between CCWA and IRWD
Exhibit B: Form of SBCFCWCD Agreement

Exhibit A

Transfer/Exchange Agreement between CCWA and IRWD

Exhibit B

Form of SBCFCWCD Agreement

ASSIGNMENT, ASSUMPTION, INDEMNIFICATION AND RELEASE AGREEMENT

Irvine Ranch Water District Transfer/Exchange

THIS ASSIGNMENT, ASSUMPTION, INDEMNIFICATION AND RELEASE AGREEMENT (the “**Agreement**”) made as of March X, 2023, by and between Santa Barbara County Flood Control and Water Conservation District (the “**District**”) and the Central Coast Water Authority (“**CCWA**”) (each, a “**Party**” and collectively, the “**Parties**”), with reference to the following facts and intentions.

RECITALS:

- A. The District is party to a long-term water supply contract with the Department of Water Resources of the State of California (“**DWR**”) (the “**Water Supply Contract**”) that provides for the delivery of water from the State Water Project (“**SWP**”) to Santa Barbara County.
- B. CCWA was formed by individual water providers located in the County of Santa Barbara pursuant to a joint exercise of powers agreement. In 1991, the District and CCWA entered into the Transfer of Financial Responsibility Agreement, which, among other things, obligates CCWA to accept responsibility for all financial obligations of the District under the Water Supply Contract. CCWA contracts with its member agencies and other water users (collectively, “**CCWA Participants**”) for the delivery of SWP to the CCWA Participants.
- C. Heavy precipitation in Northern California watersheds has significantly increased the reservoir levels of the SWP, including two of the main reservoirs, Lake Oroville and San Luis Reservoir. Current indications are that the State of California’s share of San Luis Reservoir will fill this year. Once this occurs, DWR begins to “spill” water that was not used in the previous calendar year and carried over into 2023 pursuant to Article 56 of the Water Supply Contract (“**Carryover Water**”), meaning any CCWA Carryover Water stored in San Luis Reservoir is subject to “spill” or loss if the State’s share of San Luis Reservoir completely fills before CCWA is able to take delivery of the Carryover Water.
- D. CCWA, on behalf of one or more CCWA Participant, has an urgent need to prevent the loss of Carryover Water stored in San Luis Reservoir. For that purpose, CCWA has entered into an agreement with Irvine Ranch Water District (“**IRWD**”). IRWD is headquartered in Orange County, owns a water bank (the “**IRWD Water Bank**”) located in Kern County that is operated by Rosedale-Rio Bravo Water Storage District, and receives SWP supplies from Municipal Water District of Orange County, a member unit of the Metropolitan Water District of Southern California (“**Metropolitan**”).
- E. Pursuant to the 2023 Short-Term Water Exchange Program Agreement between IRWD and CCWA dated March XX, 2023 (“**Transfer/Exchange Agreement**”), a

true and correct copy of which is attached hereto as **Exhibit A** and incorporated herein by this reference, 450 AF of CCWA's SWP water stored in San Luis Reservoir (Carryover Water and/or 2023 Table A Amount) ("**Exchange Water**") would be delivered to Metropolitan at the IRWD Water Bank for storage in 2023 and one-half of the total amount of Exchange Water, less any storage losses, would be returned to CCWA by the end of the sixth calendar year after the delivery of the Exchange Water (the "**Transfer/Exchange**").

- F. The terms and conditions of the proposed Transfer/Exchange are described in the Transfer/Exchange Agreement and in one or more agreements between the District, IRWD, and DWR that provide(s) DWR's approval of the Transfer/Exchange (collectively, "**DWR Agreement**"), a true and correct copy of which is/are attached hereto as **Exhibit B** and incorporated herein by this reference.
- G. On March **XX**, 2023, CCWA's Board of Directors adopted Resolution No. 2023-**XX** approving the Transfer/Exchange and agreeing to be bound by the DWR Agreement, a true and correct copy of which is attached hereto as **Exhibit C** and incorporated herein by this reference.
- H. On March **XX**, 2023, CCWA's Executive Director filed a Notice of Exemption for the Transfer/Exchange with the Clerk of the Board in Santa Barbara and Kern counties and with the State Clearinghouse in conformance with the procedures provided for the filing of such notices in the California Environmental Quality Act ("**CEQA**") and the CEQA Guidelines.
- I. CCWA has requested that the District enter into the DWR Agreement "on behalf of CCWA."
- J. The Parties desire to enter into this Agreement to set forth the rights, responsibilities and obligations of the Parties as it relates to the DWR Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated into the operative provisions of this Agreement by this reference, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **Assignment.** Effective as of the effective date of the DWR Agreement, the District does hereby assign, transfer, and set over to CCWA, without recourse and without representation or warranty of any kind, all of the District's right, title and interest in, to and under the DWR Agreement and all liabilities and obligations of the District arising from or under the DWR Agreement.

2. **Assumption.** Effective as of the effective date of the DWR Agreement, CCWA accepts such assignment without recourse and without representation or warranty of any kind, and assumes all of the liabilities and obligations of the District arising from or under the DWR Agreement, including any and all obligations to make payments, indemnifications or reimbursements thereunder, and agrees to be bound by and to keep, perform and observe the terms, covenants and conditions placed on the District under the DWR Agreement. CCWA agrees to be bound by said DWR Agreement to the same extent as if it had been an original party to said instrument and accepts and agrees to perform all of the obligations of the District therein.
3. **Indemnification and Release.** CCWA hereby releases and forever acquits, discharges and holds harmless and shall indemnify the District from and against any and all liabilities (at law or in equity), obligations, liens, claims, orders, rulings, losses, damages, assessments, fines, penalties, injuries, demands, actions, judgments, suits, costs, expenses or disbursements of any kind (including reasonable attorneys' fees and costs) which may at any time be imposed on, incurred by or asserted against the District by CCWA, any of its affiliates or any third party, based on, resulting from, in any way relating to, in connection with or arising out of the DWR Agreement, excluding any such loss or damage to the extent caused by the District's gross negligence, sole negligence, or willful misconduct.
4. **Governing Law and Jurisdiction.** The validity and interpretation of this Agreement shall be governed by the laws of the State of California.
5. **Waiver.** Any waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel or waiver by any Party to that term or condition.
6. **Counterparts.** The Parties may execute this Agreement in counterpart. The Parties agree to accept electronic signatures as original signatures.
7. **Authorization.** Each signatory represents and warrants that he or she has the appropriate authorization to enter into this Agreement on behalf of the Party for whom he or she signs.
8. **Notices.** All communications or notices in connection with this Agreement shall be in writing and either hand-delivered or sent by U.S. first class mails, postage prepaid, or electronic mail followed by written notice sent by U.S. mails and addressed to the Parties as follows:

Santa Barbara County Flood Control
and Water Conservation District
Matthew Young, Water Agency
Manager

Central Coast Water Authority
Ray Stokes, Executive Director
255 Industrial Way
Buellton, CA 93427-9565

130 East Victoria Street, Suite 200
Santa Barbara, CA 93101-2019
Tel: (805) 568-3542
wateragency@cosbpw.net

Tel: (805) 697-5214
ras@ccwa.com

9. **Construction and Interpretation.** The Parties agree and acknowledge that the terms of this Agreement have been negotiated by the Parties and the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent. The Agreement shall be construed without regard to any presumption or rule requiring construction against the party causing such instrument to be drafted, or in favor of the party receiving a particular benefit under this Agreement.
10. **Entire Agreement and Amendment.** This Agreement is the entire understanding of the Parties in respect of the subject matter hereof. There are no other promises, representations, agreements or warranties by any of the Parties. This Agreement may only be amended by a writing signed by all of the Parties. Each Party waives its right to assert that this Agreement was affected by oral agreement, course of conduct, waiver or estoppel.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

—Signatures follow on next page—

DISTRICT

SANTA BARBARA COUNTY FLOOD
CONTROL AND WATER CONSERVATION
DISTRICT

Water Agency Manager

APPROVED AS TO FORM:
County Counsel

By: _____
County Counsel

CCWA

CENTRAL COAST WATER AUTHORITY

By: _____
Ray Stokes, Executive Director

APPROVED AS TO FORM:
General Counsel

By: _____
Brownstein Hyatt Farber Schreck
Stephanie Osler Hastings

EXHIBIT A

Transfer/Exchange Agreement between CCWA and IRWD

EXHIBIT B

DWR Agreement

Exhibit C

CCWA Resolution No. 2023-XX