

**OCEANO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2008-23**

**A RESOLUTION OF THE OCEANO COMMUNITY SERVICES DISTRICT
ADOPTING RULES OF ORDER TO GOVERN CERTAIN OPERATIONS AND
FUNCTIONS OF THE BOARD OF DIRECTORS.**

WHEREAS, the Oceano Community Services District (the "District") Board of Directors (the "Board") has adopted Rules of Order (the "Rules") to govern certain Board operations and functions; and

WHEREAS, the Rules require changes at this time to assure that they meet the Board's current needs; and

WHEREAS, the Board has reviewed and approves the form of Rules contained in the attached Exhibit "A";

NOW, THEREFORE BE IT RESOLVED, DETERMINED AND ORDERED by the District Board that the form of Rules of Order attached hereto are adopted as the Board's Rules of Order.

Upon motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

the foregoing resolution is hereby adopted this 10th day of December 2008.

President

ATTEST:

Kevin Walsh
Board Secretary

**EXHIBIT "A" TO
RESOLUTION 2008-23**

RULES OF ORDER

[A copy of the adopted Rules of Order follows on the next page.]

EXHIBIT "A"

OCEANO COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS - RULES OF ORDER

1. OFFICERS OF THE BOARD OF DIRECTORS.

1.1 The officers of the Board of Directors (the "Board") are the President and Vice President.

1.2 The President of the Board shall serve as chairperson at all Board meetings. The chairperson shall have the same rights as the other members of the Board in voting, introducing motions, resolutions and ordinances, and any discussion of questions that follow said actions. In addition to such duties as are customarily performed by the chairperson of an organization, the chairperson shall conduct all meetings in a manner consistent with the policies of the District and perform the following duties.

- (a) Open the session at the appropriate meeting time.
- (b) Announce the business before the Board in the order in which it is to be acted upon. (Announce agenda items and determine the type of action necessary).
- (c) Recognize Board members and others deserving the floor.
- (d) State and put to vote all questions which arise during the course of a Board meeting and announce the Board's decision on all subjects.
- (e) If reasonable, restrain debate.
- (f) Inform and enforce the Rules of Order as they have been adopted by the Board.
- (g) Authenticate, by signature, all acts, orders, and proceedings of the Board.
- (h) Close debate.
- (i) Make all committee appointments subject to Board approval.

1.3 In the absence of the President, the Vice President of the Board or his/her designee shall serve as chairperson over all meetings of the Board. If the President and Vice President the Board are both absent, the remaining members present shall select one of themselves to act as chairperson of the meeting.

1.4 The President and Vice President of the Board shall be elected annually at the last regular meeting of each calendar year.

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- (a) The election and seating of the President and Vice President shall be the first order of business after the call to order, roll call, flag salute, and if appropriate, certification of election and seating of new board members.
- (b) The call for nominations shall be opened by the existing President or other chairman of the meeting and nominations shall be received by voice. No nomination needs to be seconded.
- (c) Nominations shall be closed upon approved motion.
- (d) An absent candidate may not be nominated and elected unless that candidate has submitted, in writing, his desire to serve.
- (e) Nothing herein shall prohibit a Board member from declining to serve as a Board officer, in which case, the determination of the officer in question shall be made without regard to the declining person.
- (f) The elected President takes possession of his or her office, and his or her term commences, immediately following the vote.
- (g) After the President is determined, the Vice President shall be determined in the same manner as the President, without regard to the President. The elected Vice President takes possession of his or her office, and his or her term commences immediately following the vote.
- (h) Committee appointments shall be made, by the new President, during the first meeting in January, subject to approval of the Board.
- (1) No committee shall include in its membership more than two (2) Board members.
- (2) The President shall be appointed as an alternate member to all standing committees. The Vice President shall be appointed as an alternate for those meetings where the President serves as a regular member or where the President is unable, due to scheduling or other conflicts, to attend a committee meeting as an alternate.
- (3) The General Manager, or his/her designee, shall be an ex-officio member of all committees.

2. MEETINGS.

2.1 Regular meetings of the Board shall commence at 6:30 p.m. and adjourn by 10:00 p.m. on the second and fourth Wednesday of each calendar month in the Board room at the

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District Office currently located at 1655 Front Street, Oceano, CA. It shall be the policy of the Board to complete meetings, including closed sessions, by 10:00 p.m. unless the majority of the Board elects to continue past the adjournment hour. If at the hour of 10:00 p.m. the Board has not concluded its business, the Board will review the balance of the agenda and determine whether to extend the meeting beyond the hour of 10:00 p.m., continue the remaining items, or adjourn the meeting to another date and time.

2.2 Members of the Board shall attend all regular and special meetings of the Board unless there is good cause for absence.

2.3 No action or discussion may be taken on an item not on the posted agenda; provided, however, matters deemed to be emergencies or of an urgent nature may be added to the agenda under the procedures of the Brown Act. Pursuant to the Brown Act:

(a) Board Members may briefly respond to statements or questions from the public; and

(b) Board Members may, on their own initiative or in response to public questions, ask questions for clarification, provide references to staff or other resources for factual information, or request staff to report back at a subsequent meeting; and

(c) Board Members or the Board itself may take action to direct staff to place a matter on a future agenda.

2.4 A majority of the Board shall constitute a quorum for the transaction of business. While a majority of the Board is sufficient to do business, motions must be passed unanimously if only three attend. Only those Board members present at a meeting may vote on business conducted at that meeting. Members may not vote when absent or by proxy. If a quorum does not arrive within fifteen (15) minutes of the time the meeting has been scheduled, it shall be determined that a quorum is not present. When there is no quorum for a regular meeting, the President, Vice President, or any Board member shall adjourn such meeting, or, if no Board member is present, the District secretary shall adjourn the meeting.

2.5 A roll call vote shall be taken upon the passage of all ordinances, resolutions, other matters established by Board policy or state law as requiring solicitation of bids and all matters involving more than a five thousand dollars (\$5,000.00) expenditure by the District. The roll call vote shall be entered in the minutes of the Board showing those Board members voting aye, those voting no and those not voting or absent. In calling the roll, the chairman of the meeting's name shall be called last. Upon demand by any Board member, or at the discretion of the President, the vote on any other motion or matter shall be by roll call. Unless a Board member states that he or she is not voting because of a conflict of interest and steps down from the dais prior to the discussion of the item, his or her silence, or vote of abstention shall be recorded as an affirmative vote. Tie votes shall be lost motions.

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2.6 A motion to reconsider any action previously taken by the Board must be made by a Board member who voted on the prevailing side or who had no opportunity to vote on the original motion.

2.7 Any person attending a meeting of the Board may record the proceedings with an audio or video tape recorder or a still or motion picture camera in the absence of a reasonable finding that the recording cannot continue without noise, illumination, or obstruction of view that constitutes or would constitute a disruption of the proceedings.

2.8 All video tape recorders, still and/or motion picture cameras shall remain stationary and shall be located and operated from behind the public speakers podium once the meeting begins. The President retains the discretion to alter these guidelines, including the authority to require that all video tape recorders, still and/or motion picture cameras be located in the back of the room. Artificial illumination and/or flash lighting can be used only during the "Public Comment" period portion of the agenda and during special presentations such as awards at the discretion of the President.

2.9 A block of time shall be set aside to receive general public comment. Comments on agenda items should be held until the appropriate item is called. Unless otherwise directed by the President, public comment shall be presented from the podium. The person giving public comment shall state his/her name and general place of residence prior to giving his/her comment. Public comment shall be directed to the Board as a whole and not to any member individually or the public. Public comment shall be limited to three minutes unless extended or shortened by the President in his/her discretion. In order to avoid repetitious presentations and delay in the business of the Board, whenever any group of persons wishes to address the Board on the same subject matter, the President may request a spokesperson be chosen by the group to present their position. After public comment has been closed, no member of the public shall address the Board from the audience on the matter under consideration without first securing permission to do so from the President or a majority of the Board.

3. AGENDAS.

3.1 The General Manager, in cooperation with the President, shall prepare an agenda for each regular and special meeting of the Board. Any Director may call the General Manager and request an item to be placed on the regular meeting agenda no later than 4:30 p.m. one week prior to the meeting date.

4. PREPARATION OF MINUTES AND MAINTENANCE OF TAPES.

4.1 The minutes of the Board shall be kept by the District Secretary and shall be neatly produced and kept in a file for that purpose, with a record of each particular type of business transacted set off in paragraphs with proper subheads.

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4.2 The District Secretary shall be required to make a record only of such business as was actually passed upon by a vote of the Board and, except as provided in Section 4.3 below, shall not be required to record any remarks of Board Members or any other person.

4.3 Any Director may request for inclusion into the minutes brief comments pertinent to an agenda item, only at the meeting in which the item is discussed.

4.4 The District Secretary shall attempt to record the names and general place of residence of persons addressing the Board, the title of the subject matter to which their remarks related, and whether they spoke in support or opposition to such matter.

4.5 Whenever the Board acts in a quasi-judicial proceeding such as in assessment matters, the District Secretary shall compile a summary of the testimony of the witnesses.

4.6 Any tape or film record of a District meeting made for whatever purpose at the direction of the District shall be subject to inspection pursuant to the California Public Records Act. District tape and film records may be erased ninety (90) days after the taping or the recording.

4.7 Nothing herein shall be deemed to create a requirement that minutes be taken or tape or film recordings be made of any closed sessions of the Board.

5. MEMBERS OF THE BOARD OF DIRECTORS.

5.1 Directors shall prepare themselves to discuss agenda items at meetings of the Board. Information may be requested from staff or exchanges between Directors before meetings.

5.2 Information that is exchanged before meetings shall be distributed through the General Manager, and all Directors will receive all information being distributed.

5.3 Directors shall at all times conduct themselves with courtesy to each other, to staff and to members of the audience present at Board meetings.

5.4 Differing viewpoints are healthy in the decision-making process. Individuals have the right to disagree with ideas and options, but without being disagreeable. Once the Board takes action, Directors should commit to supporting said action and not to create barriers to the implementation of said action.

6. AUTHORITY OF DIRECTORS.

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6.1 The Board is the unit of authority within the District. Apart from his/her normal function as a part of this unit, Directors have no individual authority. As individuals, Directors may not commit the District to any policy, act or expenditure.

6.2 Directors do not represent any fractional segment of the community, but are, rather, a part of the body which represents and acts for the community as a whole.

6.3 The primary responsibility of the Board is the formulation and evaluation of policy. Routine matters concerning the operational aspects of the District are to be delegated to professional staff members of the District.

7. DIRECTOR GUIDELINES.

7.1 Board Members, by making a request to the General Manager or Administrative Assistant, shall have access to information relative to the operation of the District, including but not limited to statistical information, information serving as the basis for certain actions of Staff, justification for Staff recommendations, etc. If the General Manager or the Administrative Assistant cannot timely provide the requested information by reason of information deficiency, or major interruption in work schedules, work loads, and priorities, then the General Manager or Administrative Assistant shall inform the individual Board Member why the information is not or cannot be made available.

7.2 In handling complaints from residents, property owners within the District, or other members of the public, Directors are encouraged to listen carefully to the concerns, but the complaint should be referred to the General Manager for processing and the District's response, if any.

7.3 Directors, when seeking clarification of policy-related concerns, especially those involving personnel, legal action, land acquisition and development, finances, and programming, should refer said concerns directly to the General Manager.

7.4 When approached by District personnel concerning specific District policy, Directors should direct inquiries to the General Manager or Administrative Assistant. The chain of command should be followed.

7.5 Directors and General Manager should develop a working relationship so that current issues, concerns and District projects can be discussed comfortably and openly.

7.6 When responding to constituent request and concerns, Directors should respond to individuals in a positive manner and route their questions to the General Manager, or in his/her absence, to the Administrative Assistant.

7.7 Directors are responsible for monitoring the District's progress in attaining its

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goals and objectives, while pursuing its mission.

7.8 Resolution 1998-19 is incorporated into these Bylaws and is attached hereto as reference.

8. DIRECTOR COMPENSATION.

8.1 Each Director is authorized to receive one hundred dollars (\$100.00) as compensation for each regular, adjourned or special meeting of the Board attended by him/her and for each day's service rendered as a Director by request of the Board.

8.2 Each Director is authorized to receive fifty dollars (\$50.00) as a compensation for each meeting other than regular, adjourned or special meetings or other function attended by him/her and each half day's service rendered as a Director at the request of the Board.

8.3 In no event shall Director compensation exceed one hundred dollars (\$100) per day.

8.4 Director compensation shall not exceed six (6) full days in any one (1) calendar month.

8.5 Each Board Member is entitled to reimbursement for their expenses incurred in the performance of the duties required or authorized by the Board.

(a) It is the policy of the District to exercise prudence with respect to hotel/motel accommodations. It is also the policy of the District for Board members and staff to stay at the main hotel/motel location of a conference, seminar, or class to gain maximum participation and advantage of interaction with others whenever possible. Actual hotel/motel costs shall be reimbursed. Personal phone calls are not reimbursed.

(b) Any Director traveling on District business shall receive, in addition to transportation and lodging expenses, a per diem allowance to cover ordinary expenses such as meals, refreshments and tips. The amount set for per diem shall be considered fair reimbursement and the Director shall neither be required to account for use of the per diem, return the unused portions, nor claim additional expenses for these items. The per diem shall be the same as established by the County Board of Supervisors for the purposes of reimbursing those traveling on county business.

(c) Mileage reimbursement for use of privately owned vehicles used for District business shall be that as established by the Internal Revenue Service.

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9. COMMITTEES.

9.1 Ad Hoc Committees.

The President shall appoint such ad hoc committees as may be deemed necessary or advisable by himself/herself and/or the Board. The duties of the ad hoc committees shall be outlined at the time of appointment, and the committee shall be considered dissolved when its final report has been made.

9.2 Standing Committees.

(a) The Board may create standing committees at its discretion. Standing committees shall be advisory committees to the Board and shall not commit the District to any policy, act or expenditure. Each standing committee may consider District related issues, on a continuing basis, assigned to it by the Board the Directors. Committee members shall be appointed by the Board.

(b) All standing committee meetings shall be conducted as public meetings in accordance with the Brown Act and Sections 2, 3 and 4 of these Rules. Summary notes for each meeting of each committee shall be forwarded to the Board as a public record.

10. CORRESPONDENCE DISTRIBUTION POLICY.

Time permitting, the following letters and other documents shall be accumulated and delivered to the Board on Friday of each week and/or with agenda packet.

(a) All letters approved by Board and/or signed by the President on behalf of the District; and

(b) All letters and other documents received by the District that are of District-wide concern as reasonably determined by District staff.

11. CONFLICTS AND RELATED POLICY.

State laws exist which attempt to eliminate any action by a Board Member or the District which may reflect a conflict of interest. The purpose of such laws and regulations is to insure that all actions are taken in the public interest. Laws which regulate conflicts are very complicated. The following provides a brief policy summary of various conflict related laws. Directors are encouraged to consult with District Legal Counsel and/or the Fair Political Practices Commission (the "FPPC") at (916) 322-5660, prior to the day of the meeting, if they have a question about a particular agenda item.

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11.1 Conflict of Interest.

Each Director is encouraged to review the District Conflict Code on an annual basis. The general rule is that an official may not participate in the making a governmental decision if it is: (1) reasonably foreseeable that the decision will have a (2) material financial effect on the (3) official or a member of his or her immediate family or on an economic interest of the official, and (4) the effect is distinguishable from the effect on the public generally. Additionally, the FPPC regulations relating to interests in real property have recently been changed. If real property in which the Director has an interest is located within 500 feet of the boundaries of the property affected by decision, that interest is now deemed to be directly involved in the decision. Additionally, recent changes to the FPPC rules now generally require a disqualified Board member to leave the room during the discussion of the matter.

11.2 Interest in Contracts, Government Codes Section 1090.

The prohibitions of Government Code Section 1090 provide that the District may not contract with any business in which a Board member has a financial interest.

11.3 Incompatible Office.

The basic rule is that public policy requires that when the duties of two offices are repugnant or overlap so that their exercise may require contradictory or inconsistent action, to the detriment of the other public interest, their discharge by one person is incompatible with that interest.

12. EVALUATION OF CONSULTANTS.

The District Consultants, including the District Legal Counsel and District Consulting Engineer shall be evaluated annually during months of May and June of each year.

13. CONTINUING EDUCATION.

Members of the Board are encouraged to attend educational conferences and professional meetings when the purposes of such activities is to improve District operation. Subject to budgetary constraints, there is no limit as to the number of Directors attending a particular conference or seminar when it is apparent that their attendance is beneficial to the District.

14. BOARD RULES OF ORDER REVIEW POLICY.

These Rules of Order shall be reviewed annually at the first regular meeting in February. The review shall be provided by District Counsel and ratified by Board action.

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15. RESTRICTIONS ON RULES.

15.1 These Rules shall govern the Board in all cases to which they are applicable, and in which they are not inconsistent with States and Federal laws.

15.2 In all matters not otherwise governed by these Rules, Roberts Rules of Order shall govern.

**OCEANO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2008-26**

**A RESOLUTION OF THE OCEANO COMMUNITY SERVICES DISTRICT
APPROVING A SERVICE AGREEMENT WITH
GRANDE MOBILE MANOR TO PROVIDE WATER SERVICE**

WHEREAS, Charles F. Knollenberg and Marilyn L. Knollenberg, Trustees of the Knollenberg Family Trust UTD June 13, 2003 (the "Knollenbergs"), are the owners of certain real property in the unincorporated area of San Luis Obispo County, California (the "Property"), located contiguous with the Oceano Community Services District (the "District"); and,

WHEREAS, the Knollenbergs operate a thirty-four (34) space, rent controlled, senior mobile home park on the Property (the "Park") under the name "Grande Mobile Manor"; and,

WHEREAS, the Property and Park traditionally obtained potable water from an existing domestic water well (the "Park Well"), but the Knollenbergs currently are unable to pump potable water for the Park from the Park Well because the Park Well water produced does not currently meet minimum health standards and the same constitutes an existing or impending threat to the public health or safety of Park residents; and

WHEREAS, the Knollenbergs currently are under contract with the City of Arroyo Grande (the "City") to provide temporary water service, which contract is due to end on or about December 31, 2008, and it is not feasible at this time for the City to continue to extend water service to the Property directly from the City's existing water supply; and

WHEREAS, the Knollenbergs desire to acquire a permanent water supply source from the District and the City has agreed to provide the delivery system for the District's water supply by wheeling District water, subject to separate agreements with both the Knollenbergs and the City, all in accordance with the contracts between the San Luis Obispo County Flood Control District and Water Conservation District and the District for a water supply, and applicable law, and all on the terms and conditions specified in a certain Service Agreement to Provide Water dated this date (the "Agreement"); and

WHEREAS, the District has determined that it has adequate water supplies to provide water to the Property in accordance with the Agreement;

NOW, THEREFORE BE IT RESOLVED, DETERMINED AND ORDERED by the District Board that the Agreement is approved in all respects.

BE IT FURTHER RESOLVED, DETERMINED AND ORDERED that the District Board President is authorized and instructed to execute the Agreement on the District's behalf and the

District staff is authorized and instructed to do all things reasonably necessary and proper to carry out the same.

Upon motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

the foregoing resolution is hereby adopted this 10th day of December 2008.

President

ATTEST:

Kevin Walsh
Board Secretary

SERVICE AGREEMENT TO PROVIDE WATER

THIS SERVICE AGREEMENT TO PROVIDE WATER (the "Agreement") is made and entered into as of December 10, 2008 by and between OCEANO COMMUNITY SERVICES DISTRICT, a community services district organized and existing pursuant to California state law (the "District"), and CHARLES F. KNOLLENBERG and MARILYN L. KNOLLENBERG, Trustees of the Knollenberg Family Trust UTD June 13, 2003, dba "Grande Mobile Manor" (collectively, the "Knollenbergs"), with reference to the following facts:

- A. The Knollenbergs are the owners of certain real property in the unincorporated area of San Luis Obispo County, California, described as follows:

Parcel 1 of Parcel Map No. CO-68-69, County of San Luis Obispo, State of California, according to map filed December 24, 1968 in Book 3 at page 32 of Parcel Maps.

as further depicted on the map attached as Exhibit "B" (the "Property");

- B. The Knollenbergs operate a thirty-four (34) space, rent controlled, senior mobile home park on the Property (the "Park") with each space rented to residents who own mobile homes and with each space nominally equal to one (1) equivalent single family dwelling unit ("EDU");
- C. The Property and Park residents traditionally obtained potable water from an existing domestic water well (the "Park Well"), but the Knollenbergs currently are unable to pump potable water for the Park from the Park Well because the Park Well water produced does not currently meet minimum health standards and the same constitutes an existing or impending threat to the public health or safety of Park residents.
- D. The Knollenbergs currently are under contract with the City of Arroyo Grande (the "City") to provide temporary water service, which contract is due to end on or about December 31, 2008, and it is not feasible at this time for the City to continue to extend water service to the Property directly from the City's existing water supply.
- E. With the District's cooperation, the Knollenbergs are in the process of applying with the San Luis Obispo County Local Agency Formation Commission ("LAFCO") to have the Property annexed into the District's boundaries.
- F. The Knollenbergs desire to acquire a permanent water supply source from the District and the City has agreed to provide the delivery system for the District's

water supply by wheeling District water, subject to separate agreements with both the Knollenbergs and the City, all in accordance with the contracts between the San Luis Obispo County Flood Control District and Water Conservation District (the "SLO FCD") and the District for a water supply (collectively the "Lopez Agreements"), and applicable law, and all on the terms and conditions specified herein.

NOW THEREFORE, in consideration of the mutual promises set forth herein, the Knollenbergs and the District hereby agree as follows:

1. WATER SERVICE:

a. **Quantity and Quality:** Subject to the limiting conditions, and in the manner specified herein, the District will provide potable water to the City water system for delivery to the Knollenbergs at the current point of delivery to the Knollenbergs; said water to be delivered continuously during this Agreement's term and in sufficient quantity to serve the thirty-four (34) spaces as specified in Exhibit "A". The water shall be of no less quality than the City generally provides to its customers within the City. It is estimated that the annual usage will be four (4.0) acre feet per year. In connection herewith:

(1) The Knollenbergs acknowledge and agree that the water supplied hereby shall be subject to fluctuations in both quality and quantity (including interruptions in service) due to drought or other weather conditions, impediments to ground water recharge, well failures, mechanical failures and system servicing requirements of the City, the SLO FCD and other participants in the regional water supply system, all of which are outside the District's control. The District shall not be responsible to the Knollenbergs or their customers (including Park residents or their successors in interest) for any loss or liability for any such fluctuations or interruptions in service.

(2) The Knollenbergs further acknowledge and agree that they shall not blend their domestically produced water with water provided pursuant to this Agreement.

(3) The Knollenbergs shall take all measures necessary to assure that backflow and other devices are installed, operated and maintained to assure that there is no cross connection between the private water system on the Property and the City system, or other cross contamination of water from the Knollenberg's Park Well, storage and delivery systems, into the City system.

b. **Connection Fees:** The Knollenbergs have applied for four (4.0) acre feet of water per year and shall not be charged the District's usual and customary developer fees at this time. If the Property's use is converted from a space rental, residential mobile home park to any other use (in whole or in part), or the Property's water use exceeds four and one-half (4.5) acre feet of water for two (2) consecutive years, the Knollenbergs, on demand, shall pay the District the full amount of the District's then current developer fees for connection to the District's water system based on each mobile home space in the Property equaling one (1) EDU.

c. Payment for Water Delivered: If required, the Knollenbergs shall pay a one-time fee to the City, for the cost of a meter to measure the actual water delivered to the Property, all new pump and connection fees, and such other costs and fees as may be required by the City.

The District shall arrange for the City to read the meter and invoice the District at such time and in such manner as they may agree, but no less often than bi-monthly. Any fees charged by the City for wheeling the water, reading meters, or otherwise associated with carrying out this Agreement shall be paid by the District and billed to the Knollenbergs, as part of the District's regular billing cycle.

The District's current rates and fees are set forth in Exhibit "A" attached hereto. The District shall charge the Knollenbergs a wheeling fee and any other fees charged by the City to the District in connection with this Agreement. Changes to the District's rates and fees to the Knollenbergs shall be made only when the District makes comparable changes in its rates and fees for the District's other in-district customers and only in the same percentage; or incurs an increase in any charges to the District from a third party related to the water deliveries under this Agreement. Notification of any changes to the rates or fees shall be made to the Knollenbergs at the address listed below, at least 60 days prior to their implementation date except for charges passed through from third parties in which case notification shall be given as soon as reasonably possible.

d. Water Conservation Measures: During this Agreement's term, the Knollenbergs, for themselves and their successors and assigns, hereby covenant that they will abide by any and all water conservation measures imposed by the District, the City, or any other public agency having jurisdiction over the water delivered to the Property, on single family residential customers within the boundaries of the District, the City, or any other public agency having jurisdiction.

e. Ordinances, Rules and Regulations: The Knollenbergs and their successors in interest to the Property shall abide by all ordinances, rules, and regulations governing water service for the District's customers whether enacted by the District, the City, or any other public agency having jurisdiction over the same, and specifically including but not limited to such rules and regulations governing shut-off for nonpayment.

2. TERM: This Agreement shall commence and become effective on the date the contingencies set forth in Section 3 hereof have been satisfied. The District shall provide written notification to the Knollenbergs when all contingencies have been satisfied. This Agreement shall continue for as long as the District and the City provide water services to their in-district and in-city customers or until one of the following events occurs:

a. If the contingencies set forth in Section 3 have not been satisfied by the dates specified therein, this Agreement shall expire automatically with no further obligation on any party's part. Upon expiration pursuant to this Section 2.a., the Knollenbergs shall not be relieved of their obligation to reimburse the District its one-time administrative costs incurred in connection with this Agreement's negotiation, drafting and implementation as described in

Exhibit "A".

c. This Agreement is determined to violate the provisions of the Lopez Agreements or any other local, state or federal laws relating to water wheeling.

3. **CONTINGENCIES:** This Agreement and all the terms, provisions, conditions, covenants and obligations imposed on the parties hereto, are contingent upon all of the following which shall be accomplished prior to this Agreement becoming effective, but in all cases no later than December 31, 2009. If the contingencies outlined herein are not completed, this Agreement shall be void and of no further effect.

a. Compliance by the parties with all applicable law, including, but not limited to, the provisions of the California Environmental Quality Act (as required to enter into this Agreement) and Government Code Section 56133;

b. Application to LAFCO and amendment to the City's sphere of influence to remove the Property from it, amendment of the District's sphere of influence to include the Property in the District's sphere of influence, and subsequent annexation into the District's boundaries.

c. City and District entering into a Water Wheeling Agreement on terms acceptable to the District in its sole and absolute discretion;

d. Any necessary approvals by the SLO FCD and any other necessary entities related to delivering water to which the District is entitled under the Lopez Agreements through the City's water system to the Property;

e. This Agreement not being in violation of the Lopez Agreements or any other agreement or provision of law;

f. Payment of all fees and charges due the District hereunder.

Upon satisfaction of the contingencies set forth in this Section 3, and written notification of such satisfaction by the District to the Knollenbergs this Agreement and all of its terms, provisions, conditions and covenants hereof shall be effective and binding on the parties hereto, without any further action required.

4. **INDEMNIFICATION:** The Knollenbergs shall indemnify and hold the District and its directors, officers, agents, consultants and employees free and harmless from and against any and all claims, causes of action, demands, injuries, damage, liabilities, losses, costs or expenses (including, but not limited to, reasonable attorney fees and court costs), to the extent arising out of or resulting from, this Agreement's terms, provisions, conditions and covenants. The obligations under this Section 4 shall continue, and be binding on the Knollenberg's successors and assigns.

In connection therewith:

a. During this Agreement's term, the Knollenbergs shall procure and maintain a comprehensive general public liability insurance policy in a combined single limit of not less than **TWO MILLION DOLLARS (\$2,000,000)** (the "Policy").

b. The Knollenbergs shall name the District and its directors, officers, agents, consultants and employees as additional insureds on the Policy, shall deliver a copy of the same to the District, and shall obtain endorsements providing that the same shall not be cancelled, terminated or changed except on not less than thirty (30) days written notice to the District. If the Knollenbergs fail to provide such insurance or evidence thereof as provided herein, then the District, without notice, may place such insurance and charge the Knollenbergs with the costs thereof.

5. MISCELLANEOUS:

a. If any Agreement term, provision, condition or covenant is declared by a court of competent jurisdiction to be invalid or unenforceable, then the remainder of this Agreement shall not be affected thereby and shall continue to be valid and enforceable to the fullest extent permitted by law.

b. This Agreement shall be binding on and inure to the benefit of the successors and assigns of the respective parties. The Knollenbergs may assign their rights herein to a successor in interest to the Property, but shall not assign their rights or obligations under this Agreement to any other third party without the District's prior written consent.

The District shall have all rights of enforcement to collect any charges due hereunder as it would have against any in-district customer.

c. Any notice or demand required herein shall be given personally, by certified or registered mail, postage prepaid, return receipt requested, by confirmed fax, or by reliable overnight courier to the address of the respective parties set forth on the signature page hereof. Any notice served personally shall be deemed delivered upon receipt, or if served by facsimile transmission, shall be deemed delivered on the date of receipt as shown on the received facsimile, and served by certified or registered mail or by reliable overnight courier shall be deemed delivered on the date of receipt as shown on the addressee's registry or certification of receipt or on the date receipt is refused as shown on the records or manifest of the U.S. Postal Service or such courier. The parties, from time to time, may designate any other address for this purpose by written notice to the other party.

d. Where consent or approval is required to be obtained by a party from the other party hereto, such consent shall not be unreasonably withheld or delayed.

e. This Agreement shall be governed, construed and interpreted under the laws of the State of California. Any action to enforce the terms, provisions, conditions or covenants of this Agreement shall be brought in the Superior Court of San Luis Obispo County, California.

f. In the event of any dispute or legal proceeding between the parties arising out of

or relating to this Agreement:

(1) The parties agree to submit the dispute to binding arbitration on such terms as they may agree, or if they cannot agree, pursuant to the then prevailing provisions of the California Arbitration Act.

(2) The prevailing party shall be entitled to recover from the non-prevailing party all fees, costs and expenses, including but not limited to attorney and expert witness fees, incurred in connection with such dispute or legal proceeding, any counterclaims or cross-complaints, any action to confirm, correct or vacate an arbitration award, any appeals and any proceeding to establish and recover such costs and expenses, in such amount as the court or arbitrator determines reasonable. Any party entering a voluntary dismissal of any legal proceeding without the consent of the opposing party in such proceeding shall be deemed a non-prevailing party.

g. This Agreement's terms, provisions, conditions and covenants, which by their sense and context survive this Agreement's termination, cancellation or expiration will so survive.

h. Each person executing this Agreement represents and warrants, for himself or herself and for the party for which the person purports to act, that such person is authorized to execute this Agreement on behalf of such party, that such person is acting within the scope of such person's authority, and that all necessary action has been taken to give such party such authority.

i. Time is of the essence of this Agreement.

j. The parties shall execute all documents and act in a commercially reasonable manner as necessary to effectuate this Agreement's terms, provisions, conditions and covenants.

k. This Agreement constitutes the entire agreement and understanding among the parties, and supersedes all offers, negotiations and other agreements, written or oral, concerning the subject matter contained herein. There are no representations or understandings of any kind not set forth herein. Any amendments to this Agreement shall be effective only if in writing and executed by the parties hereto.

[Balance of page left blank intentionally.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written at Oceano California.

	<p>OCEANO COMMUNITY SERVICES DISTRICT</p> <p>By: _____ Jim Hill President</p>
<p>Charles F. Knollenberg, as co-trustee of the Knollenberg Family Trust UTD June 13, 2003 dba "Grande Mobile Manor"</p>	<p>Attest:</p> <p>By: _____ Kevin Walsh General Manager</p>
<p>Address:</p> <p>655 S. Halcyon Road Arroyo Grande, CA 93420</p>	<p>Address:</p> <p>P.O. Box 599 Oceano, CA 93475</p>

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO)

On _____, 2008, before me, _____ personally appeared **CHARLES F. KNOLLENBERG**, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO)

On _____, 2008, before me, _____ personally appeared **MARILYN L. KNOLLENBERG**, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO)

On _____, 2008, before me, _____
personally appeared **KEVIN WALSH**, who proved to me on the basis of satisfactory evidence
to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged
to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the
person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO)

On _____, 2008, before me, _____
personally appeared **JIM HILL**, who proved to me on the basis of satisfactory evidence to be
the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me
that he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the
person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT "A"

RATES & CHARGES

Based on the water usage data supplied by the City, the Property's water usage is equivalent to 12 EDUs.

1. Developer Fees (one-time charge to buy into the District's infrastructure) — The Knollenbergs shall not be charged developer fees at this time. However, if the Property's use is converted from a space rental, residential mobile home park to some and any other use (in whole or in part) or if the Property's water use exceeds 4.5 acre feet of water for two consecutive years, full water developer fees will become due and payable at the District's then prevailing rates using each mobile home space (34) as one EDU.
 2. Annexation Fee. — \$100 per acre X 3.216 acres = \$312.60.
 3. State Water Project Capacity Charge (increases by 600% of bi-monthly minimum water charges annually) — \$3,556 per EDU for a total of \$42,672. (Property = 12 EDUs)
 4. Lopez Connection Fee (Bonds) — \$1,000 per EDU for a total of \$12,000 (Property = 12 EDUs)
 5. Administrative Charges. — District's actual costs incurred in negotiating, drafting and implementing this Agreement (including costs associated with negotiating, drafting and implementing the water wheeling Agreement with the City), currently estimated as follows:
 - a. Application and processing fees to LAFCO and other SLO CO fees \$3,135
 - b. Administrative and other consultant costs for in Section 3 \$10,000
 - c. Costs actually incurred to the City pursuant to the Water Wheeling Agreement with the City. (Currently \$1.28 per hcf, adjusted annually.)
 - d. Attorney's fees and costs. \$1,500
- Administrative charges shall be due even if the contingencies set forth in Section 3 are not fulfilled.
6. Point of Delivery. — As currently connected.

EXHIBIT "A"

EXHIBIT "B"

MAP

[A map depicting the Property follows on the next page.]

EXHIBIT "B"

**OCEANO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2008-27**

**A RESOLUTION OF THE OCEANO COMMUNITY SERVICES DISTRICT
APPROVING A WATER WHEELING AGREEMENT
WITH THE CITY OF ARROYO GRANDE**

WHEREAS, Charles F. Knollenberg and Marilyn L. Knollenberg, Trustees of the Knollenberg Family Trust UTD June 13, 2003 (the "Knollenbergs"), are the owners of certain real property in the unincorporated area of San Luis Obispo County, California (the "Property"), located contiguous with the Oceano Community Services District (the "District"); and,

WHEREAS, the Knollenbergs operate a thirty-four (34) space, rent controlled, senior mobile home park on the Property (the "Park") under the name "Grande Mobile Manor"; and,

WHEREAS, the Property and Park traditionally obtained potable water from an existing domestic water well (the "Park Well"), but the Knollenbergs currently are unable to pump potable water for the Park from the Park Well because the Park Well water produced does not currently meet minimum health standards and the same constitutes an existing or impending threat to the public health or safety of Park residents; and

WHEREAS, the Knollenbergs currently are under contract with the City of Arroyo Grande (the "City") to provide temporary water service, which contract is due to end on or about December 31, 2008, and it is not feasible at this time for the City to continue to extend water service to the Property directly from the City's existing water supply; and

WHEREAS, the Knollenbergs desire to acquire a permanent water supply source from the District and the City has agreed to provide the delivery system for the District's water supply by wheeling District water, subject to separate agreements with both the Knollenbergs and the City, all in accordance with the contracts between the San Luis Obispo County Flood Control District and Water Conservation District and the District for a water supply, and applicable law, and all on the terms and conditions specified in a certain Water Wheeling Agreement dated this date (the "Agreement"); and

WHEREAS, the District has determined that it has adequate water supplies to provide water to the Property in accordance with the Agreement;

NOW, THEREFORE BE IT RESOLVED, DETERMINED AND ORDERED by the District Board that the Agreement is approved in all respects.

BE IT FURTHER RESOLVED, DETERMINED AND ORDERED that the District Board President is authorized and instructed to execute the Agreement on the District's behalf and the

District staff is authorized and instructed to do all things reasonably necessary and proper to carry out the same.

Upon motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

the foregoing resolution is hereby adopted this 10th day of December 2008.

President

ATTEST:

Kevin Walsh
Board Secretary

WATER WHEELING AGREEMENT

THIS WATER WHEELING AGREEMENT (the "Agreement") is made and entered into as of December 10, 2008 by and between the City of Arroyo Grande, a municipal corporation (the "City") and the Oceano Community Services District, a community services district organized and existing pursuant to California state law (the "District") (collectively the "Parties"), with reference to the following facts:

- A. **CHARLES F. KNOLLENBERG and MARILYN L. KNOLLENBERG**, Trustees of the Knollenberg Family Trust UTD June 13, 2003 dba "Grande Mobile Manor" (collectively the "Knollenbergs") are the owners of certain real property located the unincorporated area of San Luis Obispo County, California, described as follows:

Parcel 1 of Parcel Map No. CO-68-69, County of San Luis Obispo, State of California, according to map filed December 24, 1968 in Book 3 at page 32 of Parcel Maps.

(the "Property").

- B. The Property consists of thirty-four (34) rent controlled, senior mobile home spaces (the "Park") with each space nominally equal to one (1) equivalent single family dwelling unit ("EDU").
- C. The Property and Park residents traditionally obtained potable water from an existing domestic water well (the "Park Well"), but the Knollenbergs currently are unable to pump potable water for the Park from the Park Well because the Park Well water produced does not currently meet minimum health standards and the same constitutes an existing or impending threat to the public health or safety of Park residents.
- D. The Knollenbergs currently are under contract with the City to provide temporary water service, which contract is due to end on or about December 31, 2008, and it is not feasible at this time for the City to continue to extend water service to the Property directly from the City's existing water supply.
- E. The Knollenbergs desire to acquire a permanent water supply source from the District and the City is prepared to provide the delivery system for the District's water supply by wheeling District water, subject to separate agreements with both the Knollenbergs and the City, all in accordance with the contracts between the San Luis Obispo County Flood Control District and Water Conservation District (the

“SLO FCD”) and the District for a water supply (collectively the “Lopez Agreements”), and other applicable law, and all on the terms and conditions specified herein.

NOW THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. **TRUTH OF RECITALS.** To the Parties' best knowledge, all of the matters specified in Recitals A. through E. above are true and correct as of this Agreement's date, however the City and the District have no actual knowledge and make no representations as to the actual status of the Knollenberg's wells, water quality, or supply, and the City has no actual knowledge as to the actual surplus status of the District's water supply.

2. **CITY DELIVERY OF DISTRICT WATER TO KNOLLENBERG.** From and after the date the last contingency set forth in Section 5 hereof has been satisfied, the City shall accept from the District, delivery of water to which the District is entitled under the Lopez Agreements (the “Wheeled Water”) and shall wheel the same to the Property. In connection therewith:

a. The Wheeled Water's quantity shall be limited by the quantity supplied by the District to the City. It shall be the District's responsibility to confirm the legal ability to wheel and deliver water supplied under the Lopez Agreements in the manner set forth herein.

b. The District's Wheeled Water delivery to the City shall be effected through a District instruction to the SLO FCD to deliver a portion of the District's water delivery entitlement under the Lopez Agreements to the City's facilities which receive the City's water delivery entitlement under the Lopez Agreements.

c. The District's Wheeled Water delivered to the City shall be potable water not less in quality as water otherwise delivered pursuant to the Lopez Agreements and subject to all the Lopez Agreements' terms and conditions. City makes no warranties or guaranties as to the quality of the water or its suitability for use by District, Knollenberg, or any other party.

d. The Wheeled Water shall be delivered to Knollenberg by the City through the current connection between the City's and the Knollenberg' water systems.

e. Such water wheeling shall be consistent with the delivery schedule contained in the Lopez Agreements, and based on a delivery schedule further set forth in Exhibit “A” attached hereto and incorporated herein.

The parties acknowledge that the Knollenbergs's water consumption shall vary from day to day but that the water delivery to the City under the Lopez Agreements only may be adjusted semi-annually as set forth in the Lopez Agreements. The parties agree that they periodically shall meet and confer to review the data for both the water deliveries to the City and the Knollenberg's water consumption, and shall instruct the SLO FCD to adjust the water deliveries from the District

to the City as necessary to assure, on average, they are in balance with Knollenberg's consumption and consistent with City's available capacity. City shall not be responsible for any shortages resulting from any of the following: reduction or fluctuation in the water supply under the Lopez Agreements, drought, weather or other water shortage conditions beyond the City's control, emergencies, catastrophic events, acts of nature, vandalism or terrorism, impediments to ground water recharge, well failures, mechanical failures and system servicing requirements of City, the SLO FCD and other participants in the regional water supply system, or any other events beyond the City's control.

3. **PAYMENT FOR WHEELING SERVICES.** The City shall charge the District an all inclusive wheeling fee for its services as set forth on the attached Exhibit "A". Monthly, the City shall read the meter, determine the volume of water delivered by the City through the meter to the Property, calculate the wheeling fees assessed for such water by multiplying the meter reading by the fee amount, and transmit an invoice to the District for such fee. The District shall pay all invoices submitted by City for water delivered under this Agreement within thirty (30) days after receipt.

4. **TERM.** This Agreement shall commence on the date the contingencies set forth in Section 5 hereof have been satisfied. District shall provide written notification to City that all contingencies have been satisfied not less than 30 days prior to the first date that City shall be required to wheel water pursuant to this Agreement. This Agreement shall continue for as long as the City provides services to its in-city customers or until the occurrence of one of the following events:

a. If the contingencies have not been satisfied by December 31, 2009 this Agreement shall automatically expire, with no further obligation on the City's part. Upon expiration pursuant to this Section 4.a., the District shall not be relieved of its obligations under Section 6.a. of this Agreement.

b. District notifies City that the Knollenbergs are in material breach of that certain Service Agreement to Provide Water between the Knollenbergs and the District dated as of December 10, 2008 and directs City to stop wheeling water pursuant to this Agreement.

c. This Agreement is determined to violate the provisions of the Lopez Agreements or any other local, state or federal laws related to water wheeling.

5. **CONTINGENCIES.** This Agreement and all of the terms, provisions, conditions, covenants and obligations imposed on the parties hereto, are contingent upon all of the following which shall be accomplished by December 31, 2009 or this Agreement shall be of no further force and effect unless extended in writing by both the City and District.

a. Compliance by the parties with all applicable law, including, but not limited to, the provisions of the California Environmental Quality Act required to enter into this Agreement;

b. Application to the San Luis Obispo County Local Agency Formation Commission

and amendment to the City's sphere of influence to remove the Property from it, amendment of the District's sphere of influence to include the Property in the District's sphere of influence, and subsequent annexation into the District's boundaries.

c. Any approvals by SLO FCD and any other necessary entities related to delivering Wheeled Water to which the District is entitled under the Lopez Agreements to the City's water system.

The foregoing approvals shall be processed by the District, and the District shall provide written notification and proof to the City that all such approvals have been obtained not less than 30 days prior to the first date that the City shall be required to wheel water pursuant to this Agreement;

d. Determination by the District that this Agreement is not in violation of the Lopez Agreements or any other agreement or provision of law;

Upon satisfaction of the contingencies set forth in this Section 5, and written notification of such satisfaction by District to City, this Agreement and all of its terms, provisions, conditions and covenants hereof shall be effective and binding on the parties hereto, without any further action required.

6. PAYMENT OF COSTS. District agrees to reimburse the City for:

a. The City's actual administrative costs incurred to negotiate and prepare this Agreement, as estimated in Exhibit "A" attached hereto. Administrative costs shall be due even if the contingencies set for in Section 5 are not fulfilled. And,

b. Any and all costs incurred by City for any pumps, connections and meters necessary to perform the obligations set forth in this Agreement.

7. INDEMNIFICATION. The District shall indemnify, defend, protect and hold the City and its council members, commissioners, directors, officers, partners, agents, consultants and employees free and harmless from and against any and all claims, causes of action, demands, injuries, damage, liabilities, losses, costs or expenses (including, but not limited to attorneys fees and court costs) to the extent arising out of or resulting from, this Agreement's terms, provisions, conditions and covenants, including but not limited to, any and all claims, causes of action, demands, injuries, damage, liabilities, losses, costs or expenses (including, but not limited to, attorneys fees and court costs) resulting from discontinuing water wheeling service pursuant to this Agreement, except as to those arising out of the active negligence of the City and/or its council members, commissioners, directors, officers, partners, agents, consultants and/or employees.

8. ADDITIONAL INDEMNIFICATION. District shall require that Knollenbergs take all necessary measures to assure that backflow and other devices are installed, operated and maintained to assure that there is no cross-connection between the private water system on the Property and the City system, or other cross-contamination of water from the Property's domestic

wells, storage and delivery systems, into City's system, and shall specifically indemnify City pursuant to this Agreement's Section 8 for any such cross-contamination, and shall bear any remediation costs required to restore City's system or water supply.

9. **NOTICE.** Any and all notices or other communications required or permitted by this Agreement or by law to be delivered to, served on, or given to any party to this Agreement by any other party to this Agreement shall be in writing and shall be deemed properly delivered, served, or given when personally delivered to the party to whom it is directed, or in lieu of such personal service, when deposited in the United States mail, first class, postage pre-paid, addressed to:

IF TO CITY: City of Arroyo Grande
214 East Branch Street
Arroyo Grande, CA 93420

With a copy to: Timothy J. Carmel
CARMEL & NACCASHA, LLP
1023 Nipomo St #150
San Luis Obispo, CA 93401
Facsimile 805.546.8015

IF TO THE DISTRICT: OCEANO COMMUNITY SERVICES DISTRICT
P.O. Box 599
Oceano, CA 93475
Facsimile 805.481.6836
ATT: General Manager

With a copy to: Alexander F. Simas
KIRK & SIMAS
2550 Professional Parkway
Santa Maria, CA 93455
Facsimile 805.934.1184

Any party to this Agreement may change his address for the purposes of this Section by giving written notice of such change in accordance herewith.

10. **MODIFICATION.** This Agreement may be amended or modified only by an instrument in writing, stating the amendment or modification, executed by the parties hereto and attached to the end of this instrument.

11. **GOVERNING LAW/VENUE.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event that it is necessary to institute any action to enforce any right granted herein or to redress any alleged breach hereof, then the exclusive venue for such action shall reside with the branch of the Superior Court of the State of California in and for the County of San Luis Obispo, California.

12. **HEIRS AND SUCCESSORS.** This Agreement shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto. District shall not assign its rights or obligations under this Agreement to any party without prior written consent of City.

13. **SEVERABILITY.** Should any portion of this Agreement be held unenforceable or inoperative for any reason, such shall not affect any other portion of this Agreement, but the remainder shall be as effective as though such ineffective portion had not been contained herein.

14. **ATTORNEY'S FEES.** In the event that it is necessary for either party to this Agreement to institute an action to enforce any right granted hereunder or to redress the breach of any provision of this Agreement, then the prevailing party in such action, in addition to any other award made by the Court, shall be entitled to his attorney's fees and costs incurred in prosecuting such action and the enforcement of any judgment entered in such action from the non-prevailing party, all in an amount to be determined by the Court. Any judgment entered in such action shall include a specific provision authorizing the recovery of attorney's fees and costs incurred in enforcing such judgment.

IN WITNESS WHEREOF the parties have executed this instrument at Santa Maria, California as of the date and year above first written.

CITY:

City of Arroyo Grande
a municipal corporation

By:

Tony Ferrara
Mayor

Attest:

By:

Kelly Wetmore
City Clerk

Address:

214 East Branch Street
Arroyo Grande, CA 93420

DISTRICT:

OCEANO COMMUNITY SERVICES
DISTRICT

By:

Jim Hill
President

Attest:

By:

Kevin Walsh
General Manager

Address:

P.O. Box 599
Oceano, CA 93475

Approved as to form:

Timothy J. Carmel
City Attorney

Approved as to form:

Alexander F. Simas
District Counsel

**EXHIBIT "A" TO
WATER WHEELING AGREEMENT**

WHEELING FACILITY CONNECTION LOCATION AND SPECIFICATIONS

1. Point of Delivery (Wheeling Facility Connection Location and Specifications):

The current connection point between the City and the Knollenbergs.

2. Wheeling Fee:

\$1.28 per Ccf, adjusted annually.

3. Delivery Schedule:

Minimum 1-2 GPM based upon 24 hour delivery period. Estimated 4.5 AFY total delivery.

EXHIBIT "A"

**OCEANO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2008-24**

**A RESOLUTION OF THE OCEANO COMMUNITY SERVICES DISTRICT
APPROVING A SERVICE AGREEMENT WITH HALCYON ESTATES
TO PROVIDE WATER SERVICE**

WHEREAS, Jerry L. Collins and Leanore L. Collins, husband and wife (the "Collinses"), are the owners of certain real property in the unincorporated area of San Luis Obispo County, California (the "Property"), located contiguous with the Oceano Community Services District (the "District"); and,

WHEREAS, the Collinses operate a twenty-five (25) space, rent controlled, mobile home park on the Property (the "Park") under the name "Halcyon Estates"; and,

WHEREAS, the Property and Park traditionally obtained potable water from an existing domestic water well (the "Park Well"), but the Collinses currently are unable to pump potable water for the Park from the Park Well because the Park Well water produced does not currently meet minimum health standards and the same constitutes an existing or impending threat to the public health or safety of Park residents; and

WHEREAS, the Collinses currently are under contract with the City of Arroyo Grande (the "City") to provide temporary water service, which contract is due to end on or about December 31, 2008, and it is not feasible at this time for the City to continue to extend water service to the Property directly from the City's existing water supply; and

WHEREAS, the Collinses desire to acquire a permanent water supply source from the District and the City has agreed to provide the delivery system for the District's water supply by wheeling District water, subject to separate agreements with both the Collinses and the City, all in accordance with the contracts between the San Luis Obispo County Flood Control District and Water Conservation District and the District for a water supply, and applicable law, and all on the terms and conditions specified in a certain Service Agreement to Provide Water dated this date (the "Agreement"); and

WHEREAS, the District has determined that it has adequate water supplies to provide water to the Property in accordance with the Agreement;

NOW, THEREFORE BE IT RESOLVED, DETERMINED AND ORDERED by the District Board that the Agreement is approved in all respects.

BE IT FURTHER RESOLVED, DETERMINED AND ORDERED that the District Board President is authorized and instructed to execute the Agreement on the District's behalf and the

District staff is authorized and instructed to do all things reasonably necessary and proper to carry out the same.

Upon motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

the foregoing resolution is hereby adopted this 10th day of December 2008.

President

ATTEST:

Kevin Walsh
Board Secretary

SERVICE AGREEMENT TO PROVIDE WATER

THIS SERVICE AGREEMENT TO PROVIDE WATER (the "Agreement") is made and entered into as of December 10, 2008 by and between OCEANO COMMUNITY SERVICES DISTRICT, a community services district organized and existing pursuant to California state law (the "District"), and JERRY L. COLLINS and LEANORE L. COLLINS, husband and wife, dba "Halcyon Estates" (collectively, the "Collinses"), with reference to the following facts:

- A. The Collinses are the owners of certain real property in the unincorporated area of San Luis Obispo County, California, described as set forth on the attached Exhibit "B" attached hereto and as further depicted on the map attached as Exhibit "C" (the "Property");
- B. The Collinses operate a twenty-five (25) space, rent controlled, mobile home park on the Property (the "Park") with each space rented to residents who own mobile homes and with each space nominally equal to one (1) equivalent single family dwelling unit ("EDU");
- C. The Property and Park residents traditionally obtained potable water from an existing domestic water well (the "Park Well"), but the Collinses currently are unable to pump potable water for the Park from the Park Well because the Park Well water produced does not currently meet minimum health standards and the same constitutes an existing or impending threat to the public health or safety of Park residents.
- D. The Collinses currently are under contract with the City of Arroyo Grande (the "City") to provide temporary water service, which contract is due to end on or about December 31, 2008, and it is not feasible at this time for the City to continue to extend water service to the Property directly from the City's existing water supply.
- E. With the District's cooperation, the Collinses are in the process of applying with the San Luis Obispo County Local Agency Formation Commission ("LAFCO") to have the Property annexed into District boundaries.
- F. The Collinses desire to acquire a permanent water supply source from the District and the City has agreed to provide the delivery system for the District's water supply by wheeling District water, subject to separate agreements with both the Collinses and the City, all in accordance with the contracts between the San Luis Obispo County Flood Control District and Water Conservation District (the "SLO FCD") and the District for a water supply (collectively the "Lopez Agreements"), and applicable law, and all on the terms and conditions specified herein.

NOW THEREFORE, in consideration of the mutual promises set forth herein, the Collinses and the District hereby agree as follows:

1. WATER SERVICE:

a. Quantity and Quality: Subject to the limiting conditions, and in the manner specified herein, the District will provide potable water to the City water system for delivery to the Collinses at the current point of delivery to the Collinese; said water to be delivered continuously during this Agreement's term and in sufficient quantity to serve the twenty-five (25) spaces as specified in Exhibit "A". The water shall be of no less quality than the City generally provides to its customers within the City. It is estimated that the annual usage will be three and two-tenths (3.2) acre feet per year. In connection herewith:

(1) The Collinses acknowledge and agree that the water supplied hereby shall be subject to fluctuations in both quality and quantity (including interruptions in service) due to drought or other weather conditions, impediments to ground water recharge, well failures, mechanical failures and system servicing requirements of the City, the SLO FCD and other participants in the regional water supply system, all of which are outside the District's control. The District shall not be responsible to the Collinses or their customers (including Park residents or their successors in interest) for any loss or liability for any such fluctuations or interruptions in service.

(2) The Collinses further acknowledge and agree that they shall not blend their domestically produced water with water provided pursuant to this Agreement.

(3) The Collinses shall take all measures necessary to assure that backflow and other devices are installed, operated and maintained to assure that there is no cross connection between the private water system on the Property and the City system, or other cross contamination of water from the Collinses Park Well, storage and delivery systems, into the City system.

b. Connection Fees: The Collinses have applied for five (5.0) acre feet of water per year and shall not be charged the District's usual and customary developer fees at this time. If the Property's use is converted from a space rental, residential mobile home park to any other use (in whole or in part), or the Property's water use exceeds five and five-tenths (5.5) acre feet of water for two (2) consecutive years, the Collinses, on demand, shall pay the District the full amount of the District's then current developer fees for connection to the District's water system based on each mobile home space in the Property equaling one (1) EDU.

c. Payment for Water Delivered: If required, the Collinses shall pay a one-time fee to the City, for the cost of a meter to measure the actual water delivered to the Property, all new pump and connection fees, and such other costs and fees as may be required by the City.

The District shall arrange for the City to read the meter and invoice the District at such time and in such manner as they may agree, but no less often than bi-monthly. Any fees

charged by the City for wheeling the water, reading meters, or otherwise associated with carrying out this Agreement shall be paid by the District and billed to the Collinses, as part of the District's regular billing cycle.

The District's current rates and fees are set forth in Exhibit "A" attached hereto. The District shall charge the Collinses a wheeling fee and any other fees charged by the City to the District in connection with this Agreement. Changes to the District's rates and fees to the Collinses shall be made only when the District makes comparable changes in its rates and fees for the District's other in-district customers and only in the same percentage; or incurs an increase in any charges to the District from a third party related to the water deliveries under this Agreement. Notification of any changes to the rates or fees shall be made to the Collinses at the address listed below, at least 60 days prior to their implementation date except for charges passed through from third parties in which case notification shall be given as soon as reasonably possible.

d. Water Conservation Measures: During this Agreement's term, the Collinses, for themselves and their successors and assigns, hereby covenant that they will abide by any and all water conservation measures imposed by the District, the City, or any other public agency having jurisdiction over the water delivered to the Property, on single family residential customers within the boundaries of the District, the City, or any other public agency having jurisdiction.

e. Ordinances, Rules and Regulations: The Collinses and their successors in interest to the Property shall abide by all ordinances, rules, and regulations governing water service for the District's customers whether enacted by the District, the City, or any other public agency having jurisdiction over the same, and specifically including but not limited to such rules and regulations governing shut-off for nonpayment.

2. TERM: This Agreement shall commence and become effective on the date the contingencies set forth in Section 3 hereof have been satisfied. The District shall provide written notification to the Collinses when all contingencies have been satisfied. This Agreement shall continue for as long as the District and the City provide water services to their in-district and in-city customers or until one of the following events occurs:

a. If the contingencies set forth in Section 3 have not been satisfied by the dates specified therein, this Agreement shall expire automatically with no further obligation on any party's part. Upon expiration pursuant to this Section 2.a., the Collinses shall not be relieved of their obligation to reimburse the District its one-time administrative costs incurred in connection with this Agreement's negotiation, drafting and implementation as described in Exhibit "A".

b. This Agreement is determined to violate the provisions of the Lopez Agreements or any other local, state or federal laws relating to water wheeling.

3. CONTINGENCIES: This Agreement and all the terms, provisions, conditions, covenants and obligations imposed on the parties hereto, are contingent upon all of the following which shall be accomplished prior to this Agreement becoming effective, but in all cases no later than December 31, 2009. If the contingencies outlined herein are not completed, this Agreement

shall be void and of no further effect.

a. Compliance by the parties with all applicable law, including, but not limited to, the provisions of the California Environmental Quality Act (as may be required to enter into this Agreement) and Government Code Section 56133;

b. Application to LAFCO and amendment of the City's sphere of influence to remove the Property from it, amendment of the District's sphere of influence to include the Property in the District's sphere of influence, and subsequent annexation into the District's boundaries.

c. City and District entering into a Water Wheeling Agreement on terms acceptable to the District in its sole and absolute discretion;

d. Any necessary approvals by the SLO FCD and any other necessary entities related to delivering water to which the District is entitled under the Lopez Agreements through the City's water system to the Property;

e. This Agreement not being in violation of the Lopez Agreements or any other agreement or provision of law;

f. Payment of all fees and charges due the District hereunder.

Upon satisfaction of the contingencies set forth in this Section 3, and written notification of such satisfaction by the District to the Collinses this Agreement and all of its terms, provisions, conditions and covenants hereof shall be effective and binding on the parties hereto, without any further action required.

4. INDEMNIFICATION: The Collinses shall indemnify and hold the District and its directors, officers, agents, consultants and employees free and harmless from and against any and all claims, causes of action, demands, injuries, damage, liabilities, losses, costs or expenses (including, but not limited to, reasonable attorney fees and court costs), to the extent arising out of or resulting from, this Agreement's terms, provisions, conditions and covenants. The obligations under this Section 4 shall continue, and be binding on the Collinses' successors and assigns.

In connection therewith:

a. During this Agreement's term, the Collinses shall procure and maintain a comprehensive general public liability insurance policy in a combined single limit of not less than **TWO MILLION DOLLARS (\$2,000,000)** (the "Policy").

b. The Collinses shall name the District and its directors, officers, agents, consultants and employees as additional insureds on the Policy, shall deliver a copy of the same to the District, and shall obtain endorsements providing that the same shall not be cancelled, terminated or changed except on not less than thirty (30) days written notice to the District. If the

Collinses fail to provide such insurance or evidence thereof as provided herein, then the District, without notice, may place such insurance and charge the Collinses with the cost thereof.

5. MISCELLANEOUS:

a. If any Agreement term, provision, condition or covenant is declared by a court of competent jurisdiction to be invalid or unenforceable, then the remainder of this Agreement shall not be affected thereby and shall continue to be valid and enforceable to the fullest extent permitted by law.

b. This Agreement shall be binding on and inure to the benefit of the successors and assigns of the respective parties. The Collinses may assign their rights herein to a successor in interest to the Property, but shall not assign their rights or obligations under this Agreement to any other third party without the District's prior written consent.

The District shall have all rights of enforcement to collect any charges due hereunder as it would have against any in-district customer.

c. Any notice or demand required herein shall be given personally, by certified or registered mail, postage prepaid, return receipt requested, by confirmed fax, or by reliable overnight courier to the address of the respective parties set forth on the signature page hereof. Any notice served personally shall be deemed delivered upon receipt, or if served by facsimile transmission, shall be deemed delivered on the date of receipt as shown on the received facsimile, and served by certified or registered mail or by reliable overnight courier shall be deemed delivered on the date of receipt as shown on the addressee's registry or certification of receipt or on the date receipt is refused as shown on the records or manifest of the U.S. Postal Service or such courier. The parties, from time to time, may designate any other address for this purpose by written notice to the other party.

d. Where consent or approval is required to be obtained by a party from the other party hereto, such consent shall not be unreasonably withheld or delayed.

e. This Agreement shall be governed, construed and interpreted under the laws of the State of California. Any action to enforce the terms, provisions, conditions or covenants of this Agreement shall be brought in the Superior Court of San Luis Obispo County, California.

f. In the event of any dispute or legal proceeding between the parties arising out of or relating to this Agreement:

(1) The parties agree to submit the dispute to binding arbitration on such terms as they may agree, or if they cannot agree, pursuant to the then prevailing provisions of the California Arbitration Act.

(2) The prevailing party shall be entitled to recover from the non-prevailing party all fees, costs and expenses, including but not limited to attorney and expert witness fees, incurred in connection with such dispute or legal proceeding, any counterclaims or cross-

complaints, any action to confirm, correct or vacate an arbitration award, any appeals and any proceeding to establish and recover such costs and expenses, in such amount as the court or arbitrator determines reasonable. Any party entering a voluntary dismissal of any legal proceeding without the consent of the opposing party in such proceeding shall be deemed a non-prevailing party.

g. This Agreement’s terms, provisions, conditions and covenants, which by their sense and context survive this Agreement’s termination, cancellation or expiration will so survive.

h. Each person executing this Agreement represents and warrants, for himself or herself and for the party for which the person purports to act, that such person is authorized to execute this Agreement on behalf of such party, that such person is acting within the scope of such person’s authority, and that all necessary action has been taken to give such party such authority.

i. Time is of the essence of this Agreement.

j. The parties shall execute all documents and act in a commercially reasonable manner as necessary to effectuate this Agreement’s terms, provisions, conditions and covenants.

k. This Agreement constitutes the entire agreement and understanding among the parties, and supersedes all offers, negotiations and other agreements, written or oral, concerning the subject matter contained herein. There are no representations or understandings of any kind not set forth herein. Any amendments to this Agreement shall be effective only if in writing and executed by the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written at Oceano California.

<p>_____</p> <p>Jerry L. Collins dba “Halcyon Estates”</p>	<p>OCEANO COMMUNITY SERVICES DISTRICT</p> <p>By: _____</p> <p>Jim Hill President</p>
<p>_____</p> <p>Leanore Collins dba “Halcyon Estates”</p>	<p>Attest:</p> <p>By: _____</p> <p>Kevin Walsh General Manager</p>

Address:

727 S. Halcyon Road
Arroyo Grande, CA 93420

Address:

P.O. Box 599
Oceano, CA 93475

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO)

On _____, 2008, before me, _____ personally appeared **JERRY L. COLLINS**, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO)

On _____, 2008, before me, _____ personally appeared **LEANORE L. COLLINS**, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO)

On _____, 2008, before me, _____ personally appeared **KEVIN WALSH**, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO)

On _____, 2008, before me, _____ personally appeared **JIM HILL**, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT "A"

RATES & CHARGES

Based on the water usage data supplied by the City, the Property's water usage is equivalent to 15 EDUs.

1. Developer Fees (one-time charge to buy into the District's infrastructure) — The Collinses shall not be charged developer fees at this time. However, if the Property's use is converted from a space rental, residential mobile home park to some and any other use (in whole or in part) or if the Property's water use exceeds 5.5 acre feet of water for two consecutive years, full water developer fees will become due and payable at the District's then prevailing rates using each mobile home space (25) as one EDU.
2. Annexation Fee. — \$100 per acre X 2.677 acres = \$267.70.
3. State Water Project Capacity Charge (increases by 600% of bi-monthly minimum water charges annually) — \$3,556 per EDU for a total of \$53,340. (Property = 15 EDUs)
4. Lopez Connection Fee (Bonds) — \$1,000 per EDU for a total of \$15,000 (Property = 15 EDUs)
5. Administrative Charges. — District's actual costs incurred in negotiating, drafting and implementing this Agreement (including costs associated with negotiating, drafting and implementing the water wheeling Agreement with the City), currently estimated as follows:
 - a. Application and processing fees to LAFCO and other SLO CO fees \$3,135
 - b. Administrative and other consultant costs for item 3. \$10,000
 - c. Costs actually incurred to the City pursuant to the Water Wheeling Agreement with the City. (Currently \$1.28 per hcf, adjusted annually.)
 - d. Attorney's fees and costs. \$1,500

Administrative charges shall be due even if the contingencies set forth in Section 3 are not fulfilled.
6. Point of Delivery. — As currently connected

EXHIBIT "A"

EXHIBIT "B"

LEGAL DESCRIPTION

[Property legal description follows on the next page.]

EXHIBIT "B"

EXHIBIT "C"

MAP

[A map depicting the Property follows on the next page.]

EXHIBIT "C"

WATER WHEELING AGREEMENT

THIS WATER WHEELING AGREEMENT (the "Agreement") is made and entered into as of December 10, 2008 by and between the City of Arroyo Grande, a municipal corporation (the "City") and the Oceano Community Services District, a community services district organized and existing pursuant to California state law (the "District") (collectively the "Parties"), with reference to the following facts:

- A. **JERRY L. COLLINS and LEANORE L. COLLINS, husband and wife, dba "Halcyon Estates"** (collectively the "Collinses") are the owners of certain real property located the unincorporated area of San Luis Obispo County, California, described as set forth on the attached Exhibit "B" (the "Property").
- B. The Property consists of twenty-five (25) rent controlled, mobile home spaces (the "Park") with each space nominally equal to one (1) equivalent single family dwelling unit ("EDU").
- C. The Property and Park residents traditionally obtained potable water from an existing domestic water well (the "Park Well"), but the Collinses currently are unable to pump potable water for the Park from the Park Well because the Park Well water produced does not currently meet minimum health standards and the same constitutes an existing or impending threat to the public health or safety of Park residents.
- D. The Collinses currently are under contract with the City to provide temporary water service, which contract is due to end on or about December 31, 2008, and it is not feasible at this time for the City to continue to extend water service to the Property directly from the City's existing water supply.
- E. The Collinses desire to acquire a permanent water supply source from the District and the City is prepared to provide the delivery system for the District's water supply by wheeling District water, subject to separate agreements with both the Collinses and the City, all in accordance with the contracts between the San Luis Obispo County Flood Control District and Water Conservation District (the "SLO FCD") and the District for a water supply (collectively the "Lopez Agreements"), and other applicable law, and all on the terms and conditions specified herein.

NOW THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. **TRUTH OF RECITALS.** To the Parties' best knowledge, all of the matters specified in Recitals A. through E. above are true and correct as of this Agreement's date, however the City and the District have no actual knowledge and make no representations as to the actual status of the Collinses' wells, water quality, or supply, and the City has no actual knowledge as to the actual surplus status of the District's water supply.

2. **CITY DELIVERY OF DISTRICT WATER TO COLLINSES.** From and after the date the last contingency set forth in Section 5 hereof has been satisfied, the City shall accept from the District, delivery of water to which the District is entitled under the Lopez Agreements (the "Wheeled Water") and shall wheel the same to the Property. In connection therewith:

a. The Wheeled Water's quantity shall be limited by the quantity supplied by the District to the City. It shall be the District's responsibility to confirm the legal ability to wheel and deliver water supplied under the Lopez Agreements in the manner set forth herein.

b. The District's Wheeled Water delivery to the City shall be effected through a District instruction to the SLO FCD to deliver a portion of the District's water delivery entitlement under the Lopez Agreements to the City's facilities which receive the City's water delivery entitlement under the Lopez Agreements.

c. The District's Wheeled Water delivered to the City shall be potable water not less in quality as water otherwise delivered pursuant to the Lopez Agreements and subject to all the Lopez Agreements' terms and conditions. City makes no warranties or guaranties as to the quality of the water or its suitability for use by District, Collinses, or any other party.

d. The Wheeled Water shall be delivered to the Collinses by the City through the current connection between the City's and the Collinses' water systems.

e. Such water wheeling shall be consistent with the delivery schedule contained in the Lopez Agreements, and based on a delivery schedule further set forth in Exhibit "A" attached hereto and incorporated herein.

The parties acknowledge that the Collinses' water consumption shall vary from day to day but that the water delivery to the City under the Lopez Agreements only may be adjusted semi-annually as set forth in the Lopez Agreements. The parties agree that they periodically shall meet and confer to review the data for both the water deliveries to the City and the Collinses' water consumption, and shall instruct the SLO FCD to adjust the water deliveries from the District to the City as necessary to assure, on average, they are in balance with Collinses' consumption and consistent with City's available capacity. City shall not be responsible for any shortages resulting from any of the following: reduction or fluctuation in the water supply under the Lopez Agreements, drought, weather or other water shortage conditions beyond the City's control, emergencies, catastrophic events, acts of nature, vandalism or terrorism, impediments to ground water recharge, well failures, mechanical failures and system servicing requirements of City, the SLO FCD and other participants in the regional water supply system, or any other events beyond the City's control.

3. **PAYMENT FOR WHEELING SERVICES**. The City shall charge the District an all inclusive wheeling fee for its services as set forth on the attached Exhibit "A". Monthly, the City shall read the meter, determine the volume of water delivered by the City through the meter to the Property, calculate the wheeling fees assessed for such water by multiplying the meter reading by the fee amount, and transmit an invoice to the District for such fee. The District shall pay all invoices submitted by City for water delivered under this Agreement within thirty (30) days after receipt.

4. **TERM**. This Agreement shall commence on the date the contingencies set forth in Section 5 hereof have been satisfied. District shall provide written notification to City that all contingencies have been satisfied not less than 30 days prior to the first date that City shall be required to wheel water pursuant to this Agreement. This Agreement shall continue for as long as the City provides services to its in-city customers or until the occurrence of one of the following events:

a. If the contingencies have not been satisfied by December 31, 2009 this Agreement shall automatically expire, with no further obligation on the City's part. Upon expiration pursuant to this Section 4.a., the District shall not be relieved of its obligations under Section 6.a. of this Agreement.

b. District notifies City that the Collinses are in material breach of that certain Service Agreement to Provide Water between the Collinses and the District dated as of December 10, 2008 and directs City to stop wheeling water pursuant to this Agreement.

c. This Agreement is determined to violate the provisions of the Lopez Agreements or any other local, state or federal laws related to water wheeling.

5. **CONTINGENCIES**. This Agreement and all of the terms, provisions, conditions, covenants and obligations imposed on the parties hereto, are contingent upon all of the following which shall be accomplished by December 31, 2009 or this Agreement shall be of no further force and effect unless extended in writing by both the City and District.

a. Compliance by the parties with all applicable law, including, but not limited to, the provisions of the California Environmental Quality Act required to enter into this Agreement;

b. Application to the San Luis Obispo County Local Agency Formation Commission and amendment to the City's sphere of influence to remove the Property from it, amendment of the District's sphere of influence to include the Property in the District's sphere of influence, and subsequent annexation into the District's boundaries.

c. Any approvals by SLO FCD and any other necessary entities related to delivering Wheeled Water to which the District is entitled under the Lopez Agreements to the City's water system.

The foregoing approvals shall be processed by the District, and the District shall provide

written notification and proof to the City that all such approvals have been obtained not less than 30 days prior to the first date that the City shall be required to wheel water pursuant to this Agreement;

d. Determination by the District that this Agreement is not in violation of the Lopez Agreements or any other agreement or provision of law;

Upon satisfaction of the contingencies set forth in this Section 5, and written notification of such satisfaction by District to City, this Agreement and all of its terms, provisions, conditions and covenants hereof shall be effective and binding on the parties hereto, without any further action required.

6. **PAYMENT OF COSTS.** District agrees to reimburse the City for:

a. The City's actual administrative costs incurred to negotiate and prepare this Agreement, as estimated in Exhibit "A" attached hereto. Administrative costs shall be due even if the contingencies set for in Section 5 are not fulfilled. And,

b. Any and all costs incurred by City for any pumps, connections and meters necessary to perform the obligations set forth in this Agreement.

7. **INDEMNIFICATION.** The District shall indemnify, defend, protect and hold the City and its council members, commissioners, directors, officers, partners, agents, consultants and employees free and harmless from and against any and all claims, causes of action, demands, injuries, damage, liabilities, losses, costs or expenses (including, but not limited to attorneys fees and court costs) to the extent arising out of or resulting from, this Agreement's terms, provisions, conditions and covenants, including but not limited to, any and all claims, causes of action, demands, injuries, damage, liabilities, losses, costs or expenses (including, but not limited to, attorneys fees and court costs) resulting from discontinuing water wheeling service pursuant to this Agreement, except as to those arising out of the active negligence of the City and/or its council members, commissioners, directors, officers, partners, agents, consultants and/or employees.

8. **ADDITIONAL INDEMNIFICATION.** District shall require that Collinses take all necessary measures to assure that backflow and other devices are installed, operated and maintained to assure that there is no cross-connection between the private water system on the Property and the City system, or other cross-contamination of water from the Property's domestic wells, storage and delivery systems, into City's system, and shall specifically indemnify City pursuant to this Agreement's Section 8 for any such cross-contamination, and shall bear any remediation costs required to restore City's system or water supply.

9. **NOTICE.** Any and all notices or other communications required or permitted by this Agreement or by law to be delivered to, served on, or given to any party to this Agreement by any other party to this Agreement shall be in writing and shall be deemed properly delivered, served, or given when personally delivered to the party to whom it is directed, or in lieu of such personal service, when deposited in the United States mail, first class, postage pre-paid, addressed to:

IF TO CITY: City of Arroyo Grande
214 East Branch Street
Arroyo Grande, CA 93420

With a copy to: Timothy J. Carmel
CARMEL & NACCASHA, LLP
1023 Nipomo St #150
San Luis Obispo, CA 93401
Facsimile 805.546.8015

IF TO THE DISTRICT: OCEANO COMMUNITY SERVICES DISTRICT
P.O. Box 599
Oceano, CA 93475
Facsimile 805.481.6836
ATT: General Manager

With a copy to: Alexander F. Simas
KIRK & SIMAS
2550 Professional Parkway
Santa Maria, CA 93455
Facsimile 805.934.1184

Any party to this Agreement may change his address for the purposes of this Section by giving written notice of such change in accordance herewith.

10. **MODIFICATION.** This Agreement may be amended or modified only by an instrument in writing, stating the amendment or modification, executed by the parties hereto and attached to the end of this instrument.

11. **GOVERNING LAW/VENUE.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event that it is necessary to institute any action to enforce any right granted herein or to redress any alleged breach hereof, then the exclusive venue for such action shall reside with the branch of the Superior Court of the State of California in and for the County of San Luis Obispo, California.

12. **HEIRS AND SUCCESSORS.** This Agreement shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto. District shall not assign its rights or obligations under this Agreement to any party without prior written consent of City.

13. **SEVERABILITY.** Should any portion of this Agreement be held unenforceable or inoperative for any reason, such shall not affect any other portion of this Agreement, but the remainder shall be as effective as though such ineffective portion had not been contained herein.

14. **ATTORNEY'S FEES.** In the event that it is necessary for either party to this Agreement

to institute an action to enforce any right granted hereunder or to redress the breach of any provision of this Agreement, then the prevailing party in such action, in addition to any other award made by the Court, shall be entitled to his attorney's fees and costs incurred in prosecuting such action and the enforcement of any judgment entered in such action from the non-prevailing party, all in an amount to be determined by the Court. Any judgment entered in such action shall include a specific provision authorizing the recovery of attorney's fees and costs incurred in enforcing such judgment.

IN WITNESS WHEREOF the parties have executed this instrument at Santa Maria, California as of the date and year above first written.

CITY:

City of Arroyo Grande
a municipal corporation

By: _____
Tony Ferrara
Mayor

Attest:

By: _____
Kelly Wetmore
City Clerk

Address:
214 East Branch Street
Arroyo Grande, CA 93420

Approved as to form:

Timothy J. Carmel
City Attorney

DISTRICT:

OCEANO COMMUNITY SERVICES
DISTRICT

By: _____
Jim Hill
President

Attest:

By: _____
Kevin Walsh
General Manager

Address:
P.O. Box 599
Oceano, CA 93475

Approved as to form:

Alexander F. Simas
District Counsel

**EXHIBIT "A" TO
WATER WHEELING AGREEMENT**

WHEELING FACILITY CONNECTION LOCATION AND SPECIFICATIONS

1. **Point of Delivery (Wheeling Facility Connection Location and Specifications):**
The current connection point between the City and the Collinses.

2. **Wheeling Fee:**
\$1.28 per Ccf, adjusted annually.

3. **Delivery Schedule:**

Minimum 1-2 GPM based upon 24 hour delivery period. Estimated 4.5 AFY total delivery.

EXHIBIT "A"

**EXHIBIT "B" TO
WATER WHEELING AGREEMENT**

LEGAL DESCRIPTION

[Property legal description follows on the next page.]

EXHIBIT "B"

EXHIBIT ONE

PARCEL 1:

The Easterly 360 feet of the hereinafter described real property:

That portion of Lot 109 of the Subdivision of the Ranchos Corral de Piedra, Pismo and Bolsa de Chemisal, in the County of San Luis Obispo, State of California, according to map thereof as subdivided by Jas. T. Stratton, C.E., September 1875, recorded in Book A, Page 65 of Maps, in the office of the County Recorder of said County, described as follows:

Beginning at the Southwest corner of said Lot;
thence North along the West line of said Lot, 224.40 feet to the true point of beginning;
thence continuing North along the West line of said Lot, 200.00 feet;
thence East parallel with the South line of said Lot, 600.00 feet;
thence South parallel with the West line of said Lot, 200 feet;
thence West parallel with the South line of said Lot, 600.00 feet to the true point of beginning.

EXCEPTING therefrom all mobile homes located thereon.

PARCEL 2:

The right to the use of a driveway of up to 20 feet in width extending from Halcyon Road in a direct line East to Parcel 1 above described, such right being more specifically set forth in Paragraph 6 of the Property Settlement Agreement dated June 26, 1959, and filed in Case No. 23826 Superior Court, San Luis Obispo County.

PARCEL 3:

That portion of Lot 109 of the Subdivision of the Ranchos Corral de Piedra, Pismo and Bolsa de Chemisal, in the County of San Luis Obispo, State of California, according to map thereof as subdivided by Jas. T. SStrattonC.E., September 1875, recorded in Book A, Page 65 of Maps, in the office of the County Recorder of said County, described as follows:

Beginning at the Southwest corner of said Lot;
thence North along the West line of said Lot, 224.40 feet to the true point of beginning;
thence continuing North along the West line of said Lot, 200.00 feet;
thence East parallel with the South line of said Lot, 240.00 feet;
thence South parallel with the West line of said Lot, 200.00 feet;
thence West parallel with the South line of said Lot, 240.00 feet to the true point of beginning.

EXCEPTING therefrom all mobile homes located thereon.

END OF DOCUMENT

**OCEANO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2008-25**

**A RESOLUTION OF THE OCEANO COMMUNITY SERVICES DISTRICT
APPROVING A WATER WHEELING AGREEMENT
WITH THE CITY OF ARROYO GRANDE**

WHEREAS, Jerry L. Collins and Leanore L. Collins, husband and wife (the "Collinses"), are the owners of certain real property in the unincorporated area of San Luis Obispo County, California (the "Property"), located contiguous with the Oceano Community Services District (the "District"); and,

WHEREAS, the Collinses operate a twenty-five (25) space, rent controlled, mobile home park on the Property (the "Park") under the name "Halcyon Estates"; and,

WHEREAS, the Property and Park traditionally obtained potable water from an existing domestic water well (the "Park Well"), but the Collinses currently are unable to pump potable water for the Park from the Park Well because the Park Well water produced does not currently meet minimum health standards and the same constitutes an existing or impending threat to the public health or safety of Park residents; and

WHEREAS, the Collinses currently are under contract with the City of Arroyo Grande (the "City") to provide temporary water service, which contract is due to end on or about December 31, 2008, and it is not feasible at this time for the City to continue to extend water service to the Property directly from the City's existing water supply; and

WHEREAS, the Collinses desire to acquire a permanent water supply source from the District and the City has agreed to provide the delivery system for the District's water supply by wheeling District water, subject to separate agreements with both the Collinses and the City, all in accordance with the contracts between the San Luis Obispo County Flood Control District and Water Conservation District and the District for a water supply, and applicable law, and all on the terms and conditions specified in a certain Water Wheeling Agreement Water dated this date (the "Agreement"); and

WHEREAS, the District has determined that it has adequate water supplies to provide water to the Property in accordance with the Agreement;

NOW, THEREFORE BE IT RESOLVED, DETERMINED AND ORDERED by the District Board that the Agreement is approved in all respects.

BE IT FURTHER RESOLVED, DETERMINED AND ORDERED that the District Board President is authorized and instructed to execute the Agreement on the District's behalf and the

District staff is authorized and instructed to do all things reasonably necessary and proper to carry out the same.

Upon motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

the foregoing resolution is hereby adopted this 10th day of December 2008.

President

ATTEST:

Kevin Walsh
Board Secretary