

AGENDA
Borrego Water District Board of Directors
Special Meeting
March 18, 2014, 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

- A. Call to Order
- B. Pledge of Allegiance
- C. Roll Call
- D. Approval of Agenda
- E. Comments from Directors and Requests for Future Agenda Items
- F. Comments from the Public and Requests for Future Agenda Items (comments will be limited to 3 minutes)

II. CURRENT BUSINESS MATTERS

- A. Discussion and possible action on updating the Borrego Valley Groundwater Management Plan
 - 1. Discussion of stakeholder interview process
 - 2. Final review of the agenda for the Town Hall meeting scheduled for March 27th (2)
 - 3. Outline for the General Manager presentation of the Town Hall meeting (3)
- B. Discussion and possible approval of Genus L.P request for water credits on Pepper Farm property
- C. Discussion and possible approval ***RESOLUTION 2013-03-02 OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, REMOVING CERTAIN CHARGES FROM COMMUNITY FACILITY DISTRICT No. 2007-1 (Montesoro)***
- D. Discussion and possible action on delegating authority to the General Manager to execute Bill of Sale documents for Water Credits sales.
- E. Report from General Manager on Borrego Valley water usage (4-8)
- F. Report from General Manager on District Production Well Water Quality (9-10)
- G. Review of recorded Groundwater Easement regarding Viking Parcel 2 (11-18)
- H. Report from General Manager on progress of T2 Agreement implementation
- I. Discussion of April meetings
- J. Presentation from Legal Counsel regarding Community Facilities Districts (10:30 am) (19-24)
- K. Discussion of potential agenda items for March 26nd board meeting

III. CLOSING PROCEDURE

The next Regular Meeting of the Board of Directors is scheduled for March 26, 2014, 9:00 AM at the Borrego Water District.

Town Hall Meeting scheduled for March 27, 2014, 4:00 PM at the Performing Arts Center, 590 Palm Canyon Drive, Borrego Springs.

BORREGO WATER DISTRICT 2013 TOWN HALL
MARCH 27, 2014 4:00PM - 5:30PM
PERFORMING ARTS CENTER
590 Palm Canyon Drive
Borrego Springs, CA 92004

AGENDA

- 1) Greetings and Introductions (5 min)
- 2) 2014 Groundwater Management Plan update process. Jerry Rolwing, General Manager, Borrego Water District [BWD] (10 min)
- 3) Borrego Valley Groundwater Basin Study draft report. Claudia Faunt, PhD, Hydrologist, US Geological Survey [USGS] (15 min)
- 4) Borrego Water Coalition plans: who / what & type? Kathy Dice, State Park Superintendent, Anza Borrego Desert State Park (10 min)
- 5) Reclamation Basin Study draft report. Greg Krzys, Southern California Area Office, U.S. Department of Interior, Bureau of Reclamation [Reclamation] (15 min)
- 6) Financial report, Lyle Brecht, Vice President of the Board, BWD (10 min)
- 7) Moderated, written questions from the audience for specific presenters (20 min)
- 8) Comments from the audience

Outline for the Town Hall Presentation on the GWMP Update

By: Jerry Rolwing

March 13, 2014

A) What is a GWMP?

B) 2002 GWMP

- 1) Technical and Policy Committee
- 2) Adoption
- 3) Beginning of Town Hall Events
- 4) Benefits
 - a) Grant applications
- 5) Problems
 - a) No set plan
 - b) No timeline to follow

C) 2014 Plan

- 1) Need for plan
- 2) Dovetail with IRWMP and Salt and Nutrient Management Plan
- 3) Stakeholder Participation Process
 - a) Role of Borrego Water Coalition
- 4) Work completed since 2002
 - a) Monitor wells
 - b) Expert panel
 - c) BV Resource Management Plan
 - d) Borrego Springs Community Plan
 - e) IRWM Planning Grant Applications
 - f) CASGEM State water level monitoring program
 - g) USGS work
 - h) Reclamation work
- 5) Water level section
- 6) Water quality section with plan for water quality monitoring network
- 7) Goals and objective section
- 8) Timeline and plan for the future to reduce water usage

DATE: March 13, 2014

TO: Board of Directors

FROM: Jerry Rolwing

RE: Water usage reports

Attached are updated water usage reports for the calendar year of 2013.

The Borrego Valley Water Usage includes all metered data from the District records, reports submitted to San Diego County for two golf courses, 2003 AAWARE data for the agriculture properties and others that have been estimated using as much information as possible. The report from 2011 is also included for comparison.

The District's Historical Production Well Pumpage reflects the water pumped by all municipal wells that we have on record. The associated graph shows the reduction in water production from a high of 4,256.82 AF in 2007 when Rams Hill Golf Course established the Fazio course, to 1,812.99 AF for last year which included no water delivered to the golf course.

FYE 2013 Borrego Valley Water Usage

July 2012 to June 2013, all amounts in acre feet of water pumped, when available
 County Reports are from calendar year ending 2013

Agriculture

AAWARE Report dated Dec. 2003	13,882	
less Monica, Viking fallowing - 167 Ac or 818 AF		
	Sub-Total	13,882.00
	Percentage	0.76

Golf Courses

De Anza CC	959.28	
137.04 irrigated acres @ est. 7.0 AF/Ac.		
Roadrunner Club	270.00	
45 irrigated acres @ est. 6.0 AF/Ac.		
Club Circle Golf - 28 acres	75.10	
from BWD FYE 2013 billing records		
Rams Hill CC - 115 acres	0.00	
from BWD FYE 2013 billing records		
(Note: 8 yr. average is 1,095.12)		
Borrego Springs CC - 110 acres	864.94	
from 2013 report to County, less Club Circle Golf		
The Springs GC	265.47	
from 2013 report to County		
	Sub-Total	2,434.79
	Percentage	0.13

Municipal

<i>from BWD FYE 2012 billing records</i>		
ID-1, Rams Hill	115.14	
ID-3, Deep Well Trail and La Casa del Zorro	140.42	
ID-4, old Borrego Springs Water Co.	1198.05	
ID-5, old Borrego Springs Park CSD	69.80	
Irrigation and Landscaping Accounts	262.18	
Unaccounted for water pumped but not sold	173.59	
Borrego Air Ranch	10.00	
<i>Est. from 1999 report by Lin Burzell</i>		
Individual Domestic Wells	44.00	
<i>Est. from 2000 Aerial Photo</i>		
	Sub-Total	2,013.18
	Percentage	0.11

ANNUAL WATER PUMPED 18,329.97

FYE 2011 Borrego Valley Water Usage

July 2010 to June 2011, all amounts in acre feet of water pumped, when available

Agriculture

AAWARE Report dated Dec. 2003	14,150		
less Monica, 1/2 Viking following - 110 Ac or 550AF			
	Sub-Total	14,150.00	
	Percentage	0.72	

Golf Courses

De Anza CC	959.28		
137.04 irrigated acres @ est. 7.0 AF/Ac.			
Roadrunner Club	270.00		
45 irrigated acres @ est. 6.0 AF/Ac.			
Club Circle Golf	92.19		
from BWD FYE 2011 billing records			
Rams Hill CC	660.19		
from BWD FYE 2011 billing records			
<i>(Note: 8 yr. average is 1,095.12)</i>			
Borrego Springs CC	1098.89		
from 2011 report to County			
The Springs GC	135.11		
from 2011 report to County			
	Sub-Total	3,215.66	
	Percentage	0.16	

Municipal

<i>from BWD FYE 2011 billing records</i>			
ID-1, Rams Hill	139.51		
ID-3, Deep Well Trail and La Casa del Zorro	140.31		
ID-4, old Borrego Springs Water Co.	1381.03		
ID-5, old Borrego Springs Park CSD	177.28		
Irrigation and Landscaping Accounts	262.80		
Unaccounted for water pumped but not sold	206.58		
Borrego Air Ranch	10.00		
<i>Est. from 1999 report by Lin Burzell</i>			
Individual Domestic Wells	44.00		
<i>Est. from 2000 Aerial Photo</i>			
	Sub-Total	2,361.51	
	Percentage	0.12	

ANNUAL WATER PUMPED 19,727.17

HISTORICAL PRODUCTION WELL PUMPAGE

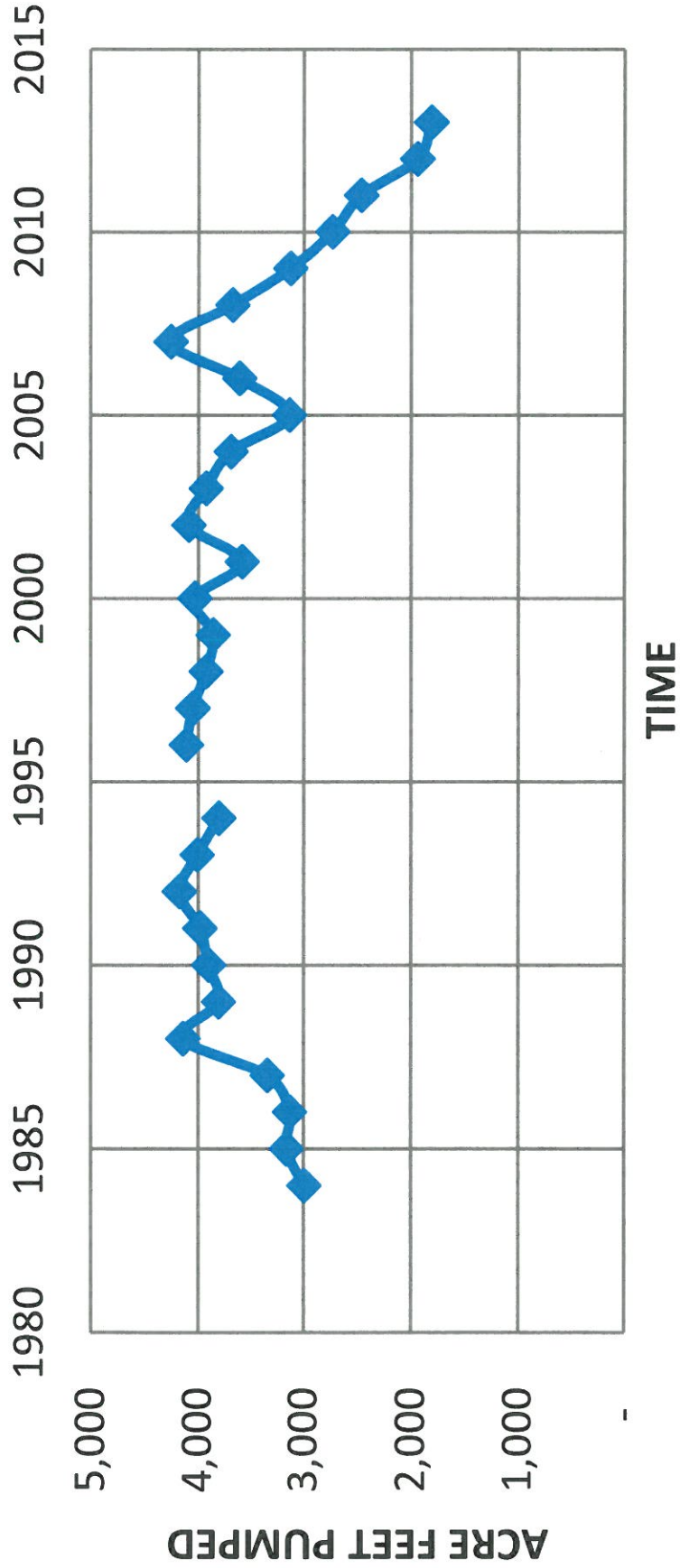
(units acre feet, period based on calendar year)

YEAR	TOTAL	ID1-1	ID1-2	ID1-8	ID1-10	ID1-12	ID1-16	ID3 Wells	ID4-2	ID4-3	ID4-4	ID4-5	ID4-10	ID4-11	ID4-18	Wilcox	ID5-5	TOTAL	Less 85% ID1-12
2013	1,813	0	0	36.02	75.1	273.3	0				174.1		120.7	885.5	49.25	1.89	197.1	1,812.99	
2012	1,941	0	0	34.36	138.3	295.1	12.56				548		121.2	395	90.3	0.1	306.3	1,941.05	
2011	2,461	0.93	1.18	2.19	156	409	284.54	inactive			547.1		128.5	644.3	59.17	2.13	225.8	2,460.84	
2010	2,731	11.08	13.49	44.47	195.7	385.9	439.76	26.84			584.8		111.7	734.7	58.29	3.48	120.3	2,730.50	
2009	3,127	38.66	20.99	24.11	325.83	834.83	583.25	122.07	Failed		571.25		104.43	786.25	97.42	71.94	6.16	3,581.03	3127.05
2008	3,676	91.51	77.56	111.30	359.25	589.80	654.98	173.38	283.93	606.18			105.00	553.54	71.36	47.91	10.98	3,675.70	2693.55
2007	4,257	114.20	96.30	251.36	328.09	843.61	737.18	135.31	557.29	592.58			118.02	393.84	71.48	17.56	209.11	4,256.82	3562.94
2006	3,610	18.54	27.45	215.91	186.52	662.09	625.88	163.14	604.05	489.59			134.26	385.54	86.71	10.71	242.89	3,610.39	2617.91
2005	3,136	15.00	65.41	77.81	322.74	478.72	415.85	196.58	581.41	229.27			134.31	534.31	78.89	5.69	311.60	3,135.99	2357.06
2004	3,692	15.31	6.31	6.17	217.31	741.49	834.59	209.45	311.84	385.10			140.92	737.68	74.52	11.45		3,692.14	3128.94
2003	3,926	52.35	51.35	0.72	288.93	864.50	650.24	241.95	526.03	275.23			182.15	703.93	89.01			3,926.39	3054.05
2002	4,090	24.16	26.39	8.71	421.40	829.43	734.95	251.84	631.46	184.74			182.86	702.14	91.56			4,089.64	3072.58
2001	3,586	22.15	23.39	64.74	368.90	607.90	610.07	244.22	639.00	392.71			179.81	344.98	87.29	0.92		3,586.08	2610.28
2000	4,033	60.85	30.95	12.00	168.68	710.59	1012.72	209.84	660.74	454.55			168.73	389.76	153.18	Start up		4,032.59	3317.41
1999	3,859	30.67	33.70	55.37	137.44	732.43	924.68	164.66	667.54	406.04			182.38	274.68	249.88			3,859.47	3023.48
1998	3,926	21.39	20.56	41.28	88.03	722.68	1054.58	174.01	730.37	417.04			221.24	319.49	115.60			3,926.27	3064.59
1997	4,050	36.87	26.76	73.85	130.11	636.15	1056.08	197.20	623.35	657.71			211.33	286.80	114.28			4,050.49	3200.28
1996	4,111	24.67	15.15	2.80	102.67	702.20	1091.95	192.72	657.57	631.52	stopped		164.33	392.89	132.93			4,111.40	3362.99
1995		3.77	18.58	34.46	55.88	557.06	1072.59	~ no data for this year on water company wells~					Start up					1,742.34	916.22
1994	3,804	168.59		39.10	24.85	523.29	971.61	366.73	384.81	491.23			3.90	213.47				3,804.36	3149.00
1993	4,008	125.84		45.57	81.27	556.20	1145.20	267.47	411.12	446.92			32.09	219.43				4,007.72	3392.08
1992	4,175	231.50	3.60	153.11	25.35	570.06	974.05	333.73	474.91	466.17			54.98	202.45				4,174.66	3520.31
1991	3,982	63.94	64.43	373.30	544.02	961.04	6.96	140.00	253.81	504.50	503.78		15.08	143.56				3,981.93	3311.27
1990	3,900	85.51	61.66	305.88	451.11	942.39	Start up	144.00	221.80	822.87	546.65		172.65	19.61				3,900.39	2769.75
1989	3,808	223.01	104.68	333.45	329.38	764.16		144.00	238.17	548.87	495.01		255.75	Start up				3,807.71	2699.02
1988	4,141	168.99	87.95	374.53	784.42	755.60		144.00	294.21	658.04	541.55		43.27					4,141.42	3242.41
1987	3,344	99.76	75.32	337.92	656.55	317.55		144.00	327.98	324.57	515.79	Start up						3,344.28	2455.34
1986	3,133	0.01	0.01	387.88	578.75	354.13		153.00	466.52	325.10	504.14							3,132.96	2759.37
1985	3,162	1.40	35.34	407.09	600.78	316.90		141.00	466.52	325.10	504.14							3,161.69	2745.07
1984	2,997	38.00	48.00	450.00	695.00	Start up		130.00	466.52	325.10	481.06							2,997.10	2624.28
1983									440.58	215.51	469.19							1,626.72	

NOTES:
 Early Rams Hill well data and ID3 well data estimated by Lin Burzell
 1991: Consolidated with Golden Sands Mutual Water Co. (Deep Well Trail and La Casa del Zorro), now service area #3
 1997: Purchased Borrego Springs Water Co. (Indian Head Ranch to San Pablo Rd), now service area #4
 2007: High water usage from redesigned Rams Hill golf course (Fazio course)
 2008: Began serving Borrego Springs Park Community Services Dist. (Club Circle and BS Resort), consolidated 2009, now service area #5
 2009: BWD purchased the remaining 85% of well ID1-12, prior to this date the District only sold 15% of the well's pumpage

HISTORICAL PUMPING IN BORREGO

(Borrego Water District, Borrego Springs Water Co., Golden Sand Mutual Water Co., Rancho Borrego Mutual Water Co.)



DATE: March 13, 2014

TO: Board of Directors

FROM: Jerry Rolwing

RE: Report on primary water quality results from 2013

The California Department of Public Health requires the District to perform routine water quality analyses for the productions. Testing requirements vary depending on previous results and types of testing. The attached chart reflects results taken for General Mineral and Inorganic Chemical which are required every three years. In addition, nitrate sampling is now required annually. There are no detectable levels of SOC's (synthetic organic chemicals) or VOC's (volatile organic chemicals).

I included arsenic results in this report due to a climbing trend that the District should take under advisement. Wells in ID-1 and one well in ID-4 show levels of arsenic which are at present time, below the State MCL (maximum contaminant level) of 10 parts per billion or micrograms per liter. This State MCL was reduced several years ago to meet technologies ability to measure smaller amounts with higher precision. Treatment techniques for arsenic removal are very costly but the blending of different quality water is an efficient method of controlling the issue. At the present time, blending water from ID-1 and ID-4 wells is not possible; however, the long range plan for the District includes the Wilcox reservoir which would be able to accept and deliver water from and to all improvement districts.

Production Well Water Quality Trends						
Date	2013	2010	2007	Apr-04	Jun-01	Sep-98
Lab	Babcock	Babcock	Babcock	EEL	Babcock	EEL
WELL #	tds	tds	tds	tds	tds	tds
ID1-8	500	460	430	446	460	N/A
ID1-10	280	240	250	274	460	N/A
ID1-12	270	240	260	246	290	268
ID1-16	280	340	320	326	360	330
WILCOX	230	220	210	200	250	267
ID4-2		510	520	434	470	476
ID4-3			760	662	720	701
ID4-4	330	340	320	295	350	312
ID4-10	500	510	490	459	530	516
ID4-11	340	370	390	318	390	387
ID4-18	620	620	590	558	620	604
ID5-5	310	330				
Date	2013	2012	2011	2010	2007	2006
Lab	Babcock	Babcock	Babcock	Babcock	Babcock	Babcock
WELL #	Nitrate	Nitrate	Nitrate	Nitrate	Nitrate	Nitrate
ID1-8	8.5	8	7.7	8.2	8.3	<1.0
ID1-10	7.2	7.3	7.2	7.9	6.8	6.2
ID1-12	1.7	<1.7	2	1.7	1.7	1.7
ID1-16	5.1	3.6	4.7	5.1	5	4.8
WILCOX	5.7	4	3.4	1.6	4.4	<1.0
ID4-2				8.7	3.7	3.7
ID4-3					12	9.2
ID4-4	2.6	2.4	2.4	2.7	3	<1.0
ID4-10	9.3	8.7	8	8.7	9.3	9.1
ID4-11	2.5	2.1	2	2.2	1.9	1.6
ID4-18	<2	<2	2	1.6	ND	<1.0
ID5-5	<2	2.1	2	1.1		
Date	2013	2010	2007	Apr-04	Jun-01	
Lab	Babcock	Babcock	Babcock	EEL	Babcock	
WELL #	arsenic	arsenic	arsenic	arsenic	arsenic	
ID1-8	6.1	6.8	4.6	4.7	5	
ID1-10	7.5	7.1	5.9	3.3	5	
ID1-12	3	0	0	2.2	3	
ID1-16	4.3	0	2	0	0	
WILCOX	4.2	6.1	4.4	3.4	3	
ID4-4	2.7	2.2	2.2	0	0	
ID4-10	ND	ND	ND	ND	ND	
ID4-11	ND	ND	ND	ND	ND	
ID4-18	ND	ND	ND	ND	ND	
ID5-5	2.1	0	ND	ND	ND	

TDS = Total dissolved solids, units in milligrams per liter (mg/l), maximum contaminant level (MCL) is 1000 mg/l
 Nitrate units in mg/l and MCL is 45 mg/l: Arsenic units in micrograms per liter (ug/l) with MCL of 10 ug/l
 TDS & Arsenic samples taken every three years as per Dept. of Public Health Regulations, nitrates annual after 20
 Wells ID4-2 and ID4-3 have been taken out of production and no longer used.
 Labs - Babcock and Sons; EEL - Environmental Engineering Lab



RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)

County of San Diego)
Planning & Development Services)
5510 Overland Ave., Suite 110)
San Diego, CA 92123)
Attention: DON KRAFT)

FEB 12, 2014 10:46 AM

OFFICIAL RECORDS
SAN DIEGO COUNTY RECORDER'S OFFICE
Ernest J. Dronenburg, Jr., COUNTY RECORDER
FEES: 0.00
OC: NA

PAGES: 8



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SP
ORANA
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This document is exempt from payment of a recording fee pursuant to Government Code Section 27383.

Exempt from payment of Documentary Transfer Tax pursuant to Revenue and Taxation Code Section 11922

**GRANT OF GROUNDWATER EASEMENT
TO
COUNTY OF SAN DIEGO**

This Grant of Groundwater Easement (this "Easement Agreement") is made as of January 27, 2014, by BORREGO WATER DISTRICT, a water district formed pursuant to California law (the "District" or "Grantor"), for the benefit of the COUNTY OF SAN DIEGO, a political subdivision of the State of California ("County" or "Grantee").

RECITALS

A. Grantor is the owner of certain real property located in an unincorporated portion of the County of San Diego, State of California, as more particularly set forth in Exhibit "A" attached hereto and incorporated herein by reference (the "Property"). The former owner of the Property, Lundavid LLC, had, since 2005, maintained a citrus farm ("Water Activity") on the Property. The Property is from time to time referred to herein as the "Servient Tenement."

B. The Servient Tenement overlays the Borrego Valley Aquifer as described in the Borrego Water District Groundwater Management Study on file in the office of the District and thus has certain water rights to the groundwater or percolating water underlying said Servient Tenement (the "Groundwater").

C. The District is a public corporation organized and existing under Division 13 of the Water Code of the State of California and has the power and authority to extract, divert, store and distribute water to the lands and inhabitants within the boundaries of the Grantee.

D. The District and Lundavid LLC entered into an Agreement entitled Second Amendment to Bargain Sale and Donation Agreement dated July 8, 2011 (the "Settlement Agreement"), whereby Lundavid, LLC sold the Property to the Grantor, in consideration of certain Water Credit Certificates (as defined in the Agreement), and also agreed to grant to the District an easement to cease and prevent any and all extraction of the Groundwater to which Lundavid LLC was formerly entitled as a result of Grantor's then ownership of the Property. That easement provided certain enforcement rights to the County as a third party beneficiary related to Groundwater use by the owner of the Property.

E. The easement granted to District by Lundavid LLC was extinguished by operation of law at the time the District acquired fee ownership of the Property from Lundavid LLC pursuant to the Settlement Agreement. Therefore, a new easement agreement is needed between the District and the County to restore the County's enforcement rights regarding Groundwater Use by the Property owner, and to ensure that the Water Credits issued pursuant to the Settlement Agreement are in compliance with terms and conditions of the Memorandum of Agreement Between the Borrego Water District and the County of San Diego Regarding Water Credits ("Memorandum of Agreement").

NOW, THEREFORE, Grantor grants the Groundwater Easement (as hereinafter defined) to Grantee under the following terms and conditions:

1. Grant of Groundwater Easement. Grantor hereby grants to Grantee an easement to permanently and completely eliminate the extraction, use, storage, distribution and/or diversion of the Groundwater on the Property, except for the following uses: (i) One-acre foot of groundwater per year to serve a single-family dwelling; or (ii) A project that would require discretionary approval by the County if groundwater use reduction measures are implemented that fully offset the amount of groundwater that the project would use, in accordance with the County Groundwater Ordinance.

1.1 Grant of Incidental Nonexclusive Easement. In addition to the Groundwater Easement granted in Section 1 of this Easement Agreement, Grantor also hereby grants to Grantee a nonexclusive easement over, under, within and through the Property for the Easement Purposes, as defined in Section 2 of this Easement Agreement. The nonexclusive easement granted by this Section 1.1 shall include: (i) vehicular and pedestrian ingress and egress by Grantee, its agents, employees, successors, and assigns for all purposes including, but not limited to, inspection to ensure compliance with the terms of this Easement Agreement, the District's Mitigation Entitlement Policy and the Settlement Agreement; and (ii) routing, installation, use, maintenance, service and operation of certain utilities, including without limitation the installation and use of monitoring wells, and/or the capping of wells on the Property.

2. Easement Purposes. "Easement Purposes" means use of the Servient Tenement as is necessary, desirable or advisable for any or all of the following purposes: (i) ceasing and preventing any and all use, extraction, diversion, storage, and/or distribution of Groundwater from or for use on the Servient Tenement, (ii) confirming the cessation of any and all Groundwater, extraction, use, storage, distribution and/or diversion on the Servient Tenement, and/or (iii) monitoring, measuring and/or evaluating water levels, water quality and/or water usage on the Servient Tenement, including, but not limited to, taking periodic static water level readings.

3. Character of Easement. The Groundwater Easement granted in this Easement Agreement is in gross.

4. Term. The Groundwater Easement granted in this Easement Agreement shall be an easement in perpetuity for the benefit of the County of San Diego, and shall run with the land.

5. Maintenance and Liability. Grantor is and shall remain solely and exclusively responsible for all maintenance of the Property, including, but not limited to, weed and/or dust control and abatement. Grantor hereby agrees to indemnify, defend, and hold Grantee harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty,

punitive damage, or expense (including, without limitation, attorneys' fees and/or expert witness fees), resulting from, arising out of, or based upon the Property.

6. Consideration. In consideration of the grant of the Groundwater Easement granted in this Easement Agreement, the Grantee will recognize 294 of the Water Credits issued pursuant to the Settlement Agreement as meeting County's requirements for groundwater use offsets for new development, according to the terms and conditions of the Memorandum of Agreement.

7. Exclusive Easement. Grantee's use of the Groundwater Easement granted in this Easement Agreement shall be exclusive. Grantor shall not extract, divert, use, store and/or distribute the Groundwater, nor shall the Grantor transfer or assign to others any interest in the Groundwater. Notwithstanding the terms of this provision, Grantor reserves the right to use the Servient Tenement in a manner consistent with the Grantee's free use and enjoyment of the Groundwater Easement.

8. Assignment. This Easement Agreement, including any interest in this Easement Agreement, shall not be assigned without the prior written consent of the other party.

9. Entire Agreement. This Easement Agreement, and Exhibit A, together with the Settlement Agreement (Second Amendment to Bargain Sale and Donation Agreement dated July 8, 2011), constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and the final, complete and exclusive expression of the terms and conditions thereof. All prior agreements, representations, negotiations and understanding of the parties hereto, oral or written, express or implied, are hereby superseded and merged herein.

10. Notices. Any notice, request, demand, consent, approval or other communication required or permitted hereunder or by law shall be validly given or made only if in writing and delivered in person to an officer or duly authorized representative of the other party, or deposited in the United States mail, duly certified or registered (return receipt requested), postage prepaid, or delivered through another reasonably acceptable method, and addressed to the party for whom intended, as follows:

If to Grantor: Borrego Water District
806 Palm Canyon Drive
PO Box 1870
Borrego Springs, CA 92004
Attention: General Manager

If to Grantee: County of San Diego
Planning and Development Services
5510 Overland Avenue, Suite 110
San Diego, CA 92123
Attention: Jim Bennett

Any party may from time to time, by written notice to the other, designate a different address which shall be substituted for that specified above. If any notice or other document is sent by mail as aforesaid, the same shall be deemed fully delivered and received forty-eight (48) hours after mailing as provided above.

11. **Counterparts.** This Easement Agreement may be executed in counterparts, each of which when executed shall, regardless of the date of its execution and delivery, be deemed an original, and all counterparts together shall constitute one and the same instrument.

12. **Binding Upon Successors.** The terms and conditions, covenants, and agreements set forth herein shall run with the land and shall apply to and bind the heirs, executors, administrators, assigns and successors of the parties hereof.

IN WITNESS WHEREOF, the parties have executed this Easement Agreement as of the date first set forth hereinabove.

**GRANTOR:
BORREGO WATER DISTRICT**

By: Beth A Hart
Beth Hart, Board President
AKA ELIZABETH HART

**GRANTEE:
COUNTY OF SAN DIEGO**

By: [Signature]
THOMAS HARRINGTON

**APPROVED AS TO FORM AND LEGALITY:
COUNTY COUNSEL**

[Signature]
By: Senior Deputy

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego }

On 1-28-2014 before me, Diana Del Bono, Notary Public
Date Here Insert Name and Title of the Officer

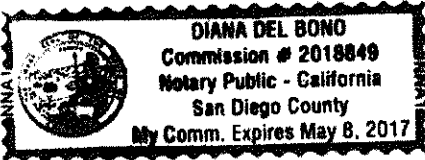
personally appeared Elsiebeth (Beth) Hart
Name(s) of Signer(s)

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 Diana Del Bono
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Grant of Groundwater Easement

Document Date: 1-27-2014 Number of Pages: 5

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

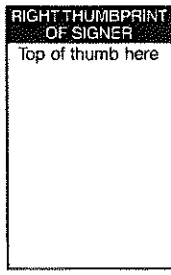
- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

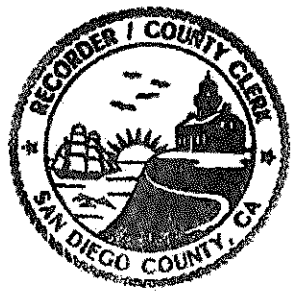
STATE OF CALIFORNIA }
COUNTY OF SAN DIEGO } SS

On 2/12/2014 before me, Paul Tanguilig, Deputy County Clerk in and for said County and State, personally appeared Thomas Harrington, **Senior Land Surveyor**, Department of General Services, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and by his signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

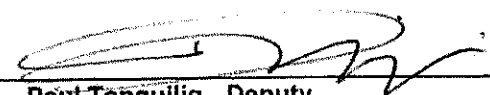
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

(seal)




Ernest J. Dronenburg, Jr., Assessor/Recorder/County Clerk

By: 
Paul Tanguilig - Deputy

COUNTY

This is to certify that the interest in real property conveyed by the foregoing deed or grant to the **County of San Diego**, a political subdivision, is hereby accepted on behalf of the Board of Supervisors of said County of San Diego pursuant to authority conferred by Resolution No. 12-159 of said Board adopted on **October 10, 2012 (08)** and the Grantee consents to recordation thereof by its duly authorized officer.

Dated: 2-12-14

FOR


ADAM S. WEINBERG, CCIM
Chief, Real Estate Services Division
Department of General Services
County of San Diego

Exhibit 'A'

ATTACHMENT A

PROPERTY DESCRIPTION

That real property located in the unincorporated portion of the County of San Diego, State of California, and described as follows:

Parcel 2

That portion of the Southeast Quarter of Section 4, Township 10 South, Range 6 East, San Bernardino Base and Meridian, in the County of San Diego, State of California, according to the Official Plat thereof, described as follows:

BEGINNING at the Northwest Corner of said Southeast Quarter;

Thence, South 89°48'03" East, along the North line of said Southeast Quarter, a distance of 2645.33 feet, to the Northeast Corner of said Southeast Quarter;

Thence, South 00°13'30" West, along the East line of said Southeast Quarter, a distance of 698.38 feet, to an intersection with a line, distant 698.38 feet, southerly of and parallel with said North line;

Thence, North 89°48'03" West, along said parallel line, a distance of 1402.25 feet, to an intersection with a line, distant 80.00 feet, westerly of and parallel with the North/South Centerline of said Southeast Quarter;

Thence, South 00°11'28" West, along said parallel line, a distance of 703.79 feet, to an intersection with a line, distant 86.00 feet, southerly of and parallel with the East/West Centerline of said Southeast Quarter;

Thence, North 89°53'25" West, along said parallel line, a distance of 1241.84 feet, to an intersection with West line of said Southeast Quarter;

Thence, North 00°09'27" East, along said West line, a distance of 1404.11 feet, to the **POINT OF BEGINNING**.

**Borrego Water District
Community Facilities District Presentation
March 2014**

Introduction

At the request of General Manager Jerry Rolwing, our office has prepared a summary on communities facility district (“CFD”) law and the characteristics of Community Facilities District No. 2007-01 (Montesoro) (“Montesoro CFD”) approved by the Borrego Water District (“District”) in 2007. The first section covers the Mello-Roos Community Facilities Act of 1982, including voting, authorized facilities and services, formation, tax levying and collection, tax exemptions, changes or dissolution, and bond issuance. The second section reviews the Montesoro CFD and the District’s continuing responsibilities. At the end of the workshop, we will have time for any questions from Board Members.

1. Mello-Roos Community Facilities Act of 1982

The Mello-Roos Community Facilities Act of 1982 (“Act”) provides a means of financing public facilities, infrastructure and services, particularly in relation to new development. Mello-Roos established districts, otherwise known as CFDs, authorize local agencies, including the District, to form CFDs to finance broad categories of public facilities and services through imposing special taxes. The procedures to establish a CFD include adopting an initial resolution, noticing landowners or residents, a public hearing, a vote by the legislative body to put the issue on the ballot and an election requiring 2/3 voter approval.

(A) Voting Process

Although public agencies technically propose CFDs and put them to a vote, CFDs are generally initiated when developers apply to build projects. At least 2/3 of the voters must support the CFD in order for it to pass. Since this is a high threshold, CFDs are usually imposed in the development context where the property owner is often the sole landowner, and before the developments are inhabited.

The voting process depends on the number of persons in the proposed CFD. If there are at least 12 persons registered to vote in the CFD territory, then the vote shall be by the registered voters of the proposed CFD. If there are less than 12 registered voters, then the landowners in the proposed CFD vote. There is a procedural right to a hearing, but the landowners generally waive that right to expedite the CFD formation process.

(B) Authorized Facilities

CFDs may be used to finance the purchase, construction, improvement, expansion or rehabilitation of property with an estimated useful life of five or more years. The permitted facilities include:

- Park, recreation, and open space facilities;
- School sites and buildings;
- Libraries;
- Child care facilities;
- Water transmission and distribution facilities;
- Natural gas pipeline facilities;
- Telephone, electrical, and cable television facilities;
- Real or other tangible property for flood and storm protection services; and
- Any other governmental facilities that the legislative body creating the district is authorized to contribute revenue to, construct, own, or operate.

CFDs may also pay to bring buildings in compliance with seismic safety or for removal or remediation of hazardous substances.

(C) Authorized Services

Subject to some restrictions, CFDs may also be used to finance certain services, including;

- Police protection services, including the provision of services for jail or other detention facilities;
- Fire protection and suppression services;
- Ambulance and paramedic services;
- The operation and maintenance of flood and storm protection services;
- Cleanup of hazardous substances;
- Recreation services, library services, and the operation and maintenance of museums and cultural facilities;
- Maintenance and lighting of parks, parkways, streets, roads, and open spaces; and
- Maintenance of elementary and secondary school sites and structures.

However, CFDs approved by a landowner vote may only support services to the extent they are *in addition to* those that that existed at the time the CFD was created.

(D) Formation

Following a successful vote by the CFD electorate or landowners, the CFD must record a notice of special tax lien against the land within the CFD. This recordation must take place within 15 days if landowners voted or within 90 days if approved by resident voters. After the recordation date, all persons are considered to have tax lien notice.

(E) Tax Levying

An ordinance must be adopted to levy the CFD special tax. The tax may be adjusted annually by resolution. In terms of developing the formula for the special tax, it must be apportioned in a fair and reasonable manner, but cannot be based on the assessed

value of land. The CFD tax may be apportioned on the basis of benefit to real property, but this is not a requirement. The most appropriate method to establish the special tax on each parcel is by engaging an “assessment engineer,” and other professionals. After tax vote approval, the legislative body may levy the tax in any amount up to the rate authorized in the resolution of approval.

(F) Tax Collection

After the tax is levied, it is collected twice a year along with the property tax. The same penalties, foreclosure procedures and sale and lien priorities in the event of a delinquency that apply to ad valorem property taxes also apply to CFD special taxes. The public agency has the option of direct billing the tax rather than using the property tax bill. This is sometimes used when the CFD tax is imposed after the county tax roll deadline.

(G) Exemptions to CFD Special Tax

Federal, state and local government properties are exempt from CFD taxes unless the entity has obtained the property after the tax has already been imposed. However, a public agency may participate as a landowner in the CFD formation and subject itself to the tax if it meets some requirements, including (1) it states in the proceedings its land is intended to transfer to private ownership, (2) it states in the proceedings its land will be subject to the special on the same basis as private property in the CFD, and (3) it waives any defense based on public ownership to any action to foreclose on the property based on nonpayment.

(H) Changes or Dissolution

After the formation of the CFD and imposition of the special tax, changes may be made to the services or facilities, maximum special tax amount and types of new special tax authorized. These changes require a process similar to CFD formation, including initial resolution adoption, notice to residents or landowners, a public hearing, legislative body vote to put it on the ballot and an election requiring voter approval.

By ordinance, the legislative body may also dissolve an existing CFD upon determining (1) the CFD is not obligated to pay any outstanding debt, and (2) the CFD has no authorization to levy any special tax. This usually only occurs when all of the payment obligations to the CFD have been satisfied.

(I) Issuance and Limitations of Bonds

Bonds may be issued by the CFD to secure the levy of special taxes to finance authorized facilities, but may not be issued to fund authorized services. The bond proceedings are generally done concurrently with the CFD formation. Similar to CFD formation, the bond issuance must be approved by 2/3 of those voting. The legislative body must determine prior to the bond sale that the real property value subject to the

special tax to pay the debt service on the bonds meets the value to debt requirement, unless a limited exception applies. Despite this value to debt requirement, the legislative body may still proceed with the issuance by a four-fifths vote of its members for public policy reasons. CFD bonds have the same force, value and use as bonds issued by municipalities. The interest on CFD bonds is exempt from state tax and often exempt from federal tax.

2. Community Facilities District No. 2007-1 (Montesoro)

In March of 2007 the District adopted a resolution of intention to establish the Community Facilities District No. 2007-1 (Montesoro) of Borrego Water District and to incur bonded indebtedness. In April of 2007 the Montesoro CFD was formed and an election was held at which time the qualified electors, who were the owners of the land in Montesoro CFD authorized the incurrence of bonded indebtedness up to a maximum of \$11,000,000 in order to pay for certain improvements and to refund debt of a pre-existing CFD (Community Facilities District No. 95-1 of the Borrego Water District) ("CFD No. 95-1"). CFD No. 95-1 bonds were previously issued to refund prior general obligation bonds of the District issued for its Improvement District No. 1, the proceeds of which were used to finance the acquisition of existing water, sewer, and flood control facilities by the District for Improvement District No. 1. These same facilities currently serve the Montesoro CFD.

(A) Montesoro CFD 2007 Special Tax Bonds

The Montesoro CFD thereafter issued \$9,220,000 of its 2007 Special Tax Bonds ("Bonds"). The Bonds paid off the CFD NO. 95-1 bonds, and paid for costs of issuance. The Bonds remain outstanding and (as a result of the property owner election in April of 2007) were levied as special taxes on each of the taxable properties within Montesoro CFD ("Special Tax"). The levy of the Special Tax on each taxable property is based on a rate and method of apportionment of the Special Tax, approved by the qualified electors at the time that the bonds were approved at the election. The Special Tax is assessed on each taxable property along with all other taxes in the county, are collected by the San Diego County Tax Collector, and thereafter used for administrative expenses of the Montesoro CFD and the payment of interest and principal on the Bonds.

(B) Pledge of Special Taxes to Payment of Bonds

In order to issue the Bonds the Montesoro CFD had to agree to certain covenants, or promises, to the owners of the Bonds ("Bond Owners"). The most important of these covenants are (1) to make certain that no actions of the Montesoro CFD are taken that will make the interest on the Bonds taxable under federal and state income tax laws; (2) to pledge that it will levy and collect the Special Tax from each of the taxable properties in an amount sufficient to pay administrative costs for the collection and payment of principal and interest; and (3) to foreclose on such taxable properties in default in the payment of the Special Tax, in order to protect the Bond Owners.

The pledge described in clause (2), above, is to secure the financial obligations of Montesoro CFD required under the Bond Indenture for the Bonds. In other words, to have money to pay administrative costs and to collect and remit to a trustee, U.S. Bank National Association (“Trustee”) sufficient moneys for the Trustee to make semi-annual payments of interest, and annual payments of principal, to the Bond Owners. The “net taxes” are considered the “security” to the Bond Owners. “Net taxes” are, essentially, the amount of the Special Tax collected, less the administrative costs of Montesoro CFD (Capped at \$60,000), plus any interest earned on investments and any procedures resulting from the foreclosure of properties as required by clause (3), above.

(C) Acquisition of Tax-defaulted Properties and Project by T2 Borrego

As a result of recessionary conditions many of the owners of the taxable properties defaulted on the payment of the Special Tax assessments. This led to the foreclosure, by Montesoro CFD, on these tax-defaulted properties in order to protect the Bond Owners, so that they would continue to receive semi-annual payments of interest, and annual payments of principal, for the Bonds that they own.

As you are aware, T2 Borrego, the new developer of the properties within Montesoro CFD, acquired the foreclosed properties (including the properties forming a part of the commercial development and golf courses) from the original developer. An entity affiliated with T2 Borrego (“Affiliated Entity”) is under contract to purchase the Bonds from the original Bond Owner. (The original Bond Owner was an investment banking firm that used the Bonds as assets in its portfolio. By retaining all of the Bonds it was able to strike a deal to sell the Bonds to the Affiliated Entity upon terms and conditions satisfactory to each.)

The Bonds remain outstanding; however, because the Affiliated Entity will own them, Montesoro CFD’s covenants will be to collect the special taxes from the property owners (many of whom are T2 Borrego) and to remit them to the Trustee to pay the Bond Owner (i.e., the Affiliated Entity). T2 Borrego has agreed with the District that if all foreclosure proceedings (as they relate to their newly-acquired properties) are terminated, that it will waive the covenant to foreclose on the tax-defaulted properties at this time; that it will begin to keep each of its properties current with future payments of the Special Taxes applicable to its properties; and will make certain that administrative costs incurred by Montesoro CFD will be met, if there is any shortfall. This assures Montesoro CFD, other property owners, and the District, that the continued assessment of Special Taxes will not be adversely affected by the termination of foreclosure proceedings affecting the T2 Borrego’s properties. The specific means of resolving existing defaults, and making the Bonds “current,” (as anticipated by the District and T2 Borrego), has not yet been determined, but it will likely involve making Montesoro CFD “whole,” and removing the “default” issues currently attributed to the tax-defaulted properties and, therefore, T2 Borrego.

(D) Future Obligations of Montesoro CFD

The obligations of Montesoro CFD, under the Indenture, and the other Bond documents, remain in full force and effect. Montesoro CFD will continue to levy and (through the County Tax Collector) collect the Special Tax on each taxable property; the County will continue to remit the “net” proceeds of the Special Tax to the Trustee; and foreclose on any tax-defaulted property. It is our belief that the Affiliated Entity might one day divest itself of the Bonds; therefore it is important for Montesoro CFD and the District to continue to comply with the covenants under the Bond documents.

(E) Continuing District Responsibilities

The District has continuing responsibilities after formation of the Montesoro CFD. These primarily relate to the repayment of the Bonds. First and foremost in continuing responsibilities is compliance with those same covenants as described above. Other covenants include the District’s ongoing obligation to timely fix and assess the Special Tax, and to remain responsible for making certain that all actions are performed in order to timely collect the Special Tax each year. Second, the Board of a CFD is obligated to protect the flow of revenue, especially where it might result in the loss of tax revenues sufficient to meet Montesoro CFD’s obligations for the payment of administrative costs, and principal and interest on the Bonds. Accordingly, when there is outstanding debt on a parcel in a CFD, then the Board is obligated to bring an action in superior court to foreclose the lien of special tax, and must do so not later than four years after the due date of the last installment of principal thereof. Generally, foreclosure actions should include a demand for payment of all special taxes, interest, penalties, costs, fees and other charges that are delinquent. If the property is sold for less than the total amount necessary to redeem plus costs, then the remaining amount may be added as postjudgment delinquencies against the property or the District may pursue a new foreclosure action against the property.

If the Board (acting on behalf of Montesoro CFD) fails or refuses to act consistent with the covenants existing under the Bond documents the Trustee, on behalf of the Bond Owners, may seek a court order to compel the Board to act as required under the bond documents. The court, in such a proceeding, would award the Trustee attorneys’ fees and costs incurred by the Trustee in enforcing the Indenture or any of the other applicable Bond documents.

Once the Bonds are redeemed the covenants described above are no longer in effect. At that point, and as noted above, the District may then initiate changes to the Montesoro CFD regarding the services or facilities, maximum special tax amount or new types of tax to be imposed. However, the District must undergo similar processes to CFD formation to undertake such changes. This process is somewhat uncommon and is usually initiated at the request of the property owners. Once all of the Montesoro CFD debt obligations have been satisfied and there is no authorization to levy any special tax, the District should then take action to dissolve the Montesoro CFD.