

AGENDA
Borrego Water District Board of Directors
Regular Meeting
June 25, 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. Approval of Minutes
 - Special meeting of May 20, 2014 (3-4)
 - Regular meeting of May 28, 2014 (5-7)
 - Special meeting of May 30, 2014 (8)
- F. Comments from Directors and Requests for Future Agenda Items
- G. Comments from the Public and Requests for Future Agenda Items (comments will be limited to 3 minutes)
- H. Correspondence: Letter from K. Godwin (9)

II. CURRENT BUSINESS MATTERS

- A. Review of Special Assessments and Administration Report for Fiscal Year 2014-2015 prepared by David Taussig and Associates, Inc. for CFD No. 2007-1 presented by Andrea Roess. (11-12)
- B. Discussion and possible approval of **RESOLUTION #2014-06-02 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT RESTATING AND ADOPTING A STATEMENT OF INVESTMENT POLICY** (13-15)
- C. Consideration of **RESOLUTION NO. 2014-06-03 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATIONS AND MAINTENANCE OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS ON LAND WITHIN THE DISTRICT FOR THE FISCAL YEAR 2014-2015** (16-17)
- D. Consideration of **RESOLUTION NO. 2014-06-04 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COSTS OF OPERATIONS AND MAINTENANCE OF THE DISTRICT, AND TO PAY COSTS OF OPERATIONS AND MAINTENANCE FOR IMPROVEMENT DISTRICT NO. 1 AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS ON CERTAIN LAND IN IMPROVEMENT DISTRICT NO. 1 FOR THE FISCAL YEAR 2014-2015** (18-20)
- E. Consideration of **RESOLUTION NO. 2014-06-05 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF PROVIDING PEST CONTROL SERVICES BY THE DISTRICT AND REQUESTING LEVY AND COLLECTION OF SAID CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2014-2015** (21-22)
- F. Consideration of **RESOLUTION NO. 2014-06-06 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, SAN DIEGO COUNTY, CALIFORNIA, LEVYING STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS TO DEFRAY THE COST OF OPERATING AND MAINTAINING THE WATER**

FACILITIES WITHIN IMPROVEMENT DISTRICT NO. 3 OF THE DISTRICT AND REQUESTING THE LEVY AND COLLECTION OF SAID STANDBY CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE FISCAL YEAR 2014 (23-25)

- G.** Consideration of ***RESOLUTION 2014-06-07 RESOLUTION OF THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2007-1 OF THE BORREGO WATER DISTRICT AUTHORIZING THE LEVY OF SPECIAL TAXES WITHIN COMMUNITY FACILITIES DISTRICT NO. 2007-1 FOR THE FISCAL YEAR 2014-2015 (26-28)***
- H.** Discussion and possible approval of issuing 14 water credits to Rudy Monica as per the 2011 Settlement Agreement. (29-41)
- I.** Report on Borrego Water Coalition public meeting of June 12
- J.** Discussion and possible approval of revision of Water Credit Policy (42-85)
- K.** Discussion and possible approval of Genus L.P. request for water credits on Pepper Farm property (86-92)
- L.** Review of planning calendar (93-94)
- M.** Consideration of cancelling August Workshop and Regular Board meeting

III. STAFF REPORTS

- A.** Financial Reports – May 2014 (96-109)
- B.** General Manager / Operations Report (110-118)
- C.** Water and Wastewater Operations Report – May 2014 (119)
- D.** Water Production/Use Records – May 2014 (120-123)

IV. ATTORNEY'S REPORT

V. COMMITTEE REPORTS & PROPOSALS:

Ad Hoc Committees

- | | |
|--------------------------------------|------------------------|
| 1. Audit Committee | (M. Brecht, L. Brecht) |
| 2. Due-Diligence | (M. Brecht, L. Brecht) |
| 3. Strategic Planning Committee/IRWM | (Hart, L. Brecht) |
| 4. Executive Committee | (Estep, Hart) |
| 5. Operations & Management Committee | (M. Brecht, Delahay) |
| 6. Parks Committee | (Estep, Hart) |
| 7. Asset Ad Hoc Committee | (Hart, M. Brecht) |
| 8. Personnel Committee | (Hart, M. Brecht) |
| 9. Negotiating Committee | (Hart, Estep) |
| 10. CFD Committee | (Estep, M. Brecht) |

VI. INFORMATIONAL ITEMS

- A.** Questions on Rate Increase

VII. CLOSED SESSION

- A.** Conference with Legal Counsel – Anticipated Litigation
Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9. One potential case.

VIII. CLOSING PROCEDURE

The next Special Meeting of the Board of Directors is scheduled for July 15, 2014 at the Borrego Water District.
The next Regular Meeting of the Board of Directors is scheduled for July 23, 2014 at the Borrego Water District.

D. Discussion and possible action of funding portion of fall 2014 facilitation of the Borrego Water Coalition: Director Lyle Brecht reported that at the last BWC meeting, the agricultural representatives suggested that the participants share the cost of retaining the current facilitator after June, when his contract with DWR expires and will not be renewed. It is contemplated that agriculture, recreation and BWD would share the one-year cost equally at \$8,000 each. If others elect to participate, the proportions would be reduced. Joe Tatusko expressed concern that most of the BWC meetings were not open to the public. Mr. Rolwing replied that more public meetings would be held in the future. Ray Shindler asked if documentation would be available for review prior to the June 12 BWC meeting, and Mr. Rolwing said it would be released June 6 or June 9. Mr. Shindler felt this did not provide enough time for adequate review. Bob McKee pointed out that the facilitator's proposal in the Board Package referred to work for Napa County. Director Marshal Brecht explained that this was a prior proposal used for format. The figures are correct, but the title was inadvertently left as is. ***MSC: M.Brecht Delahay approving funding of fall 2014 facilitation of the Borrego Water Coalition for a maximum of \$8,000.***

E. Discussion of Raftelis analysis of T2 availability fees for FY 2015: Mr. Rolwing explained that as part of the negotiations with T2, availability fees for 27 parcels were eliminated due to a lack of documentation as to how they were originally calculated in 1996. After an analysis by Raftelis and a conference call among all parties, a new, reduced availability fee was agreed upon. It will be presented to the Board for approval, probably in June.

F. Discussion of Dudek's report on ID1 wells 1 and 2: This item was tabled until a future meeting.

G. USDA financing update: Mr. Rolwing reported that USDA had approached the District, inquiring whether they intended to seek a loan. He requested Board direction as to whether they wanted to do this, and if so, for which project(s).

Mr. Tatusko suggested reclaiming water from the treatment plant for golf course irrigation, and/or solar energy. Mr. Rolwing explained that due to the low flows, reclamation would be expensive and impractical at this time. Mr. Berkley suggested looking into Rapid Infiltration and Extraction (RIX). Gil Lombard felt that tertiary treatment was unnecessary for reclamation, and recommended investigation.

Director Marshal Brecht asked Mr. Rolwing to check into USDA's timing requirements. If we receive a loan, how soon must the proceeds be expended? He also suggested checking with Dennis Ciacca as to the cash reserve requirements for a bond issue.

H. Discussion of potential agenda items for May 28th board meeting: So far only the standard Agenda items and a closed session had been identified.

III. CLOSING PROCEDURE

There being no further business, the Board adjourned at 10:00 a.m. The next Regular Meeting of the Board of Directors is scheduled for May 28, 2014 at the Borrego Water District.

**Borrego Water District
MINUTES
Regular Meeting of the Board of Directors
Wednesday, May 28, 2014
9:00 AM
806 Palm Canyon Drive
Borrego Springs, CA 92004**

I. OPENING PROCEDURES

A. Call to Order: President Hart called the meeting to order at 9:00 a.m.

B. Pledge of Allegiance: Those present stood for the Pledge of Allegiance.

C. Roll Call: **Directors:** **Present:** President Hart, Vice-President Lyle Brecht,
Secretary/Treasurer Marshal Brecht, Delahay, Estep

Staff: Jerry Rolwing, General Manager
Kim Pitman, Administration Manager
Greg Holloway, Operations Manager
Diana Del Bono, Administrative Assistant
Morgan Foley, McDougal Love Eckis Boehmer & Foley (via
teleconference, Item VII only)
Wendy Quinn, Recording Secretary

Public: Jim Engelke Bob McKee
Jeannie Beck, *Borrego Sun* Kathy Johnston

D. Approval of Agenda: ***MSC: L.Brecht/M.Brecht approving the Agenda as written.***

E. Approval of Minutes:

Special meeting of April 3, 2014

MSC: L.Brecht/M.Brecht approving the Minutes of the Special Meeting of April 3, 2014 as written.

Special meeting of April 22, 2014

MSC: L.Brecht/M.Brecht approving the Minutes of the Special Meeting of April 22, 2014 as written.

Regular meeting of April 23, 2014

MSC: L.Brecht/M.Brecht approving the Minutes of the Regular Meeting of April 23, 2014 as amended (Item II.C, third sentence, delete "and how they might be affected by resolution of the overdraft"; Item II.F, first sentence, revise in part to read, "... the yearly Raftelis cost analysis for ID-1")

F. Comments from Directors and Requests for Future Agenda Items: None

G. Comments from the Public and Requests for Future Agenda Items: Bob McKee referred to the Board's action last week to approve payment to a facilitator for the Borrego Water Coalition. He pointed out that the BWC website states there are no costs associated with the organization. President Hart assured him that the website would be updated.

H. Correspondence: None

II. CURRENT BUSINESS MATTERS

A. Discussion of FY 2014-2015 surplus water for Rams Hill Golf Course: Jerry Rolwing reported he had notified Rams Hill that 610 acre-feet of spare capacity would be

available to the golf course for the year. To date they have used 187 acre-feet, and they plan to use more water in July and August to keep the course going rather than reseeding in the fall.

B. Discussion of future availability of USGS Model: Mr. Rolwing reported that Claudia Faunt of USGS had approved access to the model for BWD and Dudek Engineering. A water quality component still needs to be incorporated, and USGS recommended depth-dependent sampling. Cost estimates are being compiled. Director Lyle Brecht recommended sharing the USGS figures with the Bureau of Reclamation, DWR and economist Roger Mann, who is assisting the Borrego Water Coalition. Mr. Rolwing agreed to request USGS's permission.

C. Review of planning calendar: Director Lyle Brecht requested larger type, and President Hart pointed out that the Town Hall Meeting date needs to be changed.

III. STAFF REPORTS

A. Financial Reports - April 2014: Kim Pitman noted significant items in the Financial Reports. The income from meter fees declined because eighteen meters were removed from vacant lots at Rams Hill and written off. Repairs and maintenance were up due to repairs on the backhoe and a water main break. Additional engineering and legal fees were incurred relative to negotiations with Rams Hill. The ACWA insurance premium decreased.

B. General Manager/Operations Report: Mr. Rolwing reported that USGS and the Bureau of Reclamation are finalizing their reports. He has been working with the County on the water credit issue. President Hart offered to assist. Mr. Rolwing met with Bill Wright recently to discuss the necessary infrastructure for service to the new library.

Director Estep inquired about public concerns relative to water use at the solar facilities. Mr. Rolwing explained that as long as the providers abide by County regulations, the District is obligated to sell them water upon request. Director Lyle Brecht noted that the District is working with the County to cooperate on future issues such as this, as part of the Groundwater Management Plan update.

Mr. Rolwing reported that T2 Borrego has not yet agreed to the Raftelis analysis of availability fees at Rams Hill, but neither have they voiced any objections. President Hart said that the Strategic Planning Committee would follow up.

C. Water and Wastewater Operations Report - April 2014: In response to Director Delahay, Mr. Rolwing reported that repairs to the pump in Well 16 are proceeding, in collaboration with San Diego Gas and Electric.

Director Delahay reported that the Operations and Management Committee had discussed the use of solar energy at the treatment plant, and a question arose as to the effect of the debt on the District's credit rating. Director Marshal Brecht had some relevant information from De Anza which he had not yet had an opportunity to review. He pointed out that one proposal had been received, and others should be solicited. The Board agreed to prepare an RFP with David Dale's help, requesting alternate proposals for purchase of the system versus contracting to buy the resulting power.

D. Water Production/Use Records - April 2014: The Water Production/Use Records were included in the Board package.

IV. ATTORNEY'S REPORT

None

V. COMMITTEE REPORTS & PROPOSALS

Ad Hoc Committees

1. Audit Committee

Director Lyle Brecht reported that the Committee was working on financial highlights and a transmittal letter.

2. Due-Diligence

No report.

3. Strategic Planning Committee/IRWM

Director Lyle Brecht reported that the Committee was working on policy recommendations and a presentation for the public Borrego Water Coalition meeting.

4. Executive Committee

President Hart reported that negotiations with Lundberg had stalled, but the agreement with Genus had been concluded. They have agreed that the District may use their well as a monitoring well. Mr. Rolwing agreed to check with DWR to see if they have a format for an agreement to document this arrangement.

5. Operations & Management Committee

Director Delahay reported that the Committee was working on solar energy and Well 16.

6. Parks Committee

No report.

7. Asset Ad Hoc Committee

No report.

8. Personnel Committee

No report.

9. Negotiating Committee

No report.

10. CFD Committee

Director Estep reported that the Committee discussed selection of a bond attorney and was seeking someone local.

VI. INFORMATION ITEMS

None

VII. CLOSED SESSION

A. Conference with Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9. One potential case: President Hart declared a recess at 10:35, and the closed session reconvened at 1:00 p.m. The open session reconvened at 2:30 p.m. There was no reportable action.

VIII. CLOSING PROCEDURE

There being no further business, the Board adjourned at 2:30 p.m. The next Special Meeting of the Board of Directors is scheduled for June 17, 2014 at the Borrego Water District. The next Regular Meeting of the Board of Directors is scheduled for June 25, 2014 at the Borrego Water District.

Borrego Water District
MINUTES
Special Meeting of the Board of Directors
Friday, May 30, 2014
9:00 AM
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

- A. Call to Order: President Hart called the meeting to order at 9:00 a.m.
- B. Pledge of Allegiance: Those present stood for the Pledge of Allegiance.
- C. Roll Call: Directors: Present: President Hart, Vice-President Lyle Brecht, Secretary/Treasurer Marshal Brecht (via teleconference), Delahay, Estep (via teleconference)

 Staff: Jerry Rolwing, General Manager
 David Aladjem, Downey Brand (via teleconference)
 Wendy Quinn, Recording Secretary

 Public: Ray Bolanos Patrick Meehan
 Jeannie Beck, *Borrego Sun*
- D. Approval of Agenda: **MSC: L.Brecht/Delahay approving the Agenda as written.**
- E. Comments from Directors and Requests for Future Agenda Items: None
- F. Comments from the Public and Requests for Future Agenda Items: Ray Bolanos

requested a future Agenda item, consideration of a reduction in water rates based on the fact that BWD once again has the Rams Hill community as a customer. If an across-the-board reduction is not feasible, he requested that at least a reduction in Tier 2 rates be considered.

Patrick Meehan asked that water use by local solar plants be addressed on a future Agenda. Jerry Rolwing explained that one solar plant has its own well. The other one, currently under construction, asked to purchase BWD water, has the necessary water credits, and the District is obligated to serve them. They currently pay the construction rate, and upon completion will pay the normal water rate for their two-inch meter. Director Lyle Brecht stated that the District is working with the County in an effort to become more involved in land use decisions.

II. CLOSED SESSION

A. Conference with Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9. One case: The Board adjourned to closed session at 9:15 a.m., and the public meeting reconvened at 10:30 a.m. There was no reportable action.

III. CLOSING PROCEDURE

There being no further business, the Board adjourned at 10:30 a.m. The next Special Meeting of the Board of Directors is scheduled for June 17, 2014 at the Borrego Water District. The next Regular Meeting of the Board of Directors is scheduled for June 25, 2014 at the Borrego Water District.

BORREGO WATER DISTRICT BOARD OF DIRECTORS

JUNE 22, 2014

806 PALM CANYON DRIVE

BORREGO SPRING, CA 92004

NO GRACE FROM BORREGO WATER DISTRICT

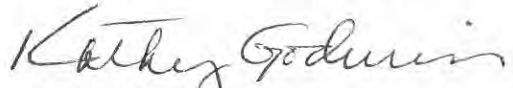
I WOULD LIKE TO REQUEST THE BOARD'S CONSIDERATION FOR INCORPORATING A "GRACE PERIOD" FOR PAYMENT DUE DATES FOR WATER CUSTOMERS IN BORREGO SPRINGS.

IN A TOWN FILLED WITH RETIREES WHO HAVE DIFFICULTY EVEN REALIZING WHAT DAY IT IS AT TIMES, IT SEEMS CRUEL AND UNUSUAL PUNISHMENT TO GET CHARGED A \$10.00 LATE FEE FOR MISSING A PAYMENT DUE DATE BY AN "HOUR" OR EVEN A FEW DAYS.

MOST OF US PAY OUR BILLS REGULARLY AND WHEN THAT OCCASIONAL TIME OCCURS OF MISSING THE DUE DATE BY A FEW HOURS, GETTING PUNISHED BY BEING CHARGED A \$10.00 FEE IS OUTRAGEOUS. MY MORTGAGE COMPANY ALLOWS A 15-DAY GRACE PERIOD. AAA AUTO INSURANCE ALLOWS SEVERAL DAYS TO PROCESS BILLS WITHOUT PENALTY. USA COMMUNICATIONS DOES NOT PUNISH THEIR CUSTOMERS WHO MISS GETTING A BILL PAID BY A DAY OR TWO OR THREE. ETC., ETC., ETC.

THE REQUEST FOR A GRACE PERIOD SEEMS ONLY REASONABLE TO ME WHEN MANY OF US LEAVE TOWN FOR A FEW DAYS AT A TIME AND MIGHT MISS A WATER BILL DUE DATE BY A FEW DAYS. IN ADDITION TO ALREADY STRESSFUL WATER INCREASES OVER THE PAST FEW YEARS, MUST WE ALSO LIVE WITH THIS RIGID AND STRESSFUL POLICY FORCED UPON US BY THE BORREGO WATER DISTRICT?

A RESPONSE IS GREATLY APPRECIATED.


KATHY GODWIN

I was charged \$10.00 last month even though I dropped off my payment in the mail slot after hours prior to next business day.

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MEMORANDUM
June 17, 2014

TO: Jerry Rolwing, Borrego Water District

FROM: Andrea Roess, David Taussig & Associates, Inc.

SUBJECT: Borrego Water District Fiscal Year 2014-2015 Levy

Below is a summary of the preliminary Fiscal Year (“FY”) 2014-2015 fixed charge levies for Borrego Water District as well as the FY 2013-2014 levies for comparison.

Fixed Charge	FY 13-14 Parcels Taxed	FY 13-14 Tax per Parcel	FY 13-14 Levy	FY 14-15 Parcels Taxed	FY 14-15 Tax per Parcel	FY 14-15 Levy
Water Availability Standby Charge	3,621	\$22.80	\$82,558.80	3,621	\$22.80	\$82,558.80
ID No. 1 – Water, Sewer, and Flood Control	706	\$66.00 [1]	\$158,801.01	706	\$66.00 [1]	\$106,211.55
Pest Control Standby Charge	4,740	\$2.50 [2]	\$17,937.50	4,723	\$2.50 [2]	\$17,895.00
ID No. 3 – Water Standby Charge	362	\$37.70 [3]	\$33,722.00	361	\$37.70 [3]	\$33,722.00
Total	NA	NA	\$293,019.31	NA	NA	\$240,387.35

[1] Twenty-seven parcels are taxed at varying rates. Remaining parcels are taxed at \$66.00/parcel. Based on rates indicated in memorandum provided by Raftelis Financial Consultants.

[2] Three golf course parcels taxed at a total \$6,095.00. Remaining parcels taxed at \$2.50/parcel.

[3] Two parcels owned by “LCDZ Investors, LLC” taxed at a total \$20,150.00. Remaining parcels taxed at \$37.70/parcel.

Please see below for a brief explanation for each of the charges shown in the table above. For each charge (other than ID No. 1 as described below), the same rates and methodology that were applied in prior years were used this year to determine the FY 2014-2015 charges. In addition, please refer to the annual administration report for information regarding the FY 2014-2015 levy for Borrego Water District CFD No. 2007-1.

Please see Exhibits A through D enclosed, which lists the assessor’s parcel numbers and levy amounts for each of the charges shown in the table above.

WATER AVAILABILITY STANDBY CHARGE (FUND 6415-01)

The funds raised by the Water Availability Standby Charge are used to pay for a share of the general administrative costs of the Borrego Water District. The levy is a per parcel charge applied to each parcel within the District except parcels within ID No. 1 (Ram’s Hill) and ID No. 3 (Deep Well and La Casa del Zorro). The ID No. 1 share of administrative costs is collected through the ID No. 1 charge (Fund No. 6415-02) while ID No. 3 has a separate standby charge (Fund 6415-04).

The amount to be levied for the Water Availability Standby charge this year is calculated as follows: 3,621 parcels all of which are charged at \$22.80 per parcel for a total of \$82,558.80.

ID NO. 1 - WATER, SEWER AND FLOOD CONTROL (FUND 6415-02)

The funds raised by the ID No. 1 Water, Sewer, and Flood Control charge are used to pay for administration costs and water, sewer, and flood control services.

The amount to be levied for the ID No. 1 Water, Sewer, and Flood Control charge this year is calculated as follows: 679 parcels all of which are charged at \$66.00 per parcel for a total of \$44,814.00 and 27 other parcels charged at varying rates based on a study prepared by Raftelis Financial Consultants (“RFC”) dated May 2, 2014 for a total of \$61,397.55.

The study describes the rationale for reducing the amount charged to certain non-residential parcels, golf course parcels, and other undeveloped parcels based on the current land use classifications of the parcels versus what was originally anticipated at the point of time that the availability charge was created.

As indicated in the study, RFC concluded that based on benefit, the amount charged to the parcels being charged \$66.00 per parcel should be increased and that the amount charged to the remaining 27 parcels should be decreased. However, since the District cannot increase a parcel’s charge without going through a Proposition 218 ballot proceeding, the District has kept the \$66.00 per parcel charge unchanged and decreased the charge for the remaining 27 parcels. This results in a reduction in the levy in the amount of \$52,589.46 from the amount charged for FY 2013-2014.

PEST CONTROL STANDBY CHARGE (FUND 6415-03)

The funds raised by the Pest Control Standby charge are used to pay for eye gnat control services (not the biting gnat).

The amount to be levied for the Pest Control Standby charge this year is calculated as follows: 4,720 parcels all of which are charged at \$2.50 per parcel for a total of \$11,800.00 and three golf course parcels charged varying rates for a total of \$6,095.00.

ID NO. 3 WATER STANDBY CHARGE (FUND 6415-04)

The funds raised by the ID No. 3 Water Standby charge are used to establish reserves for system improvements related to the water wells and system storage. The amount to be levied for the ID No. 3 Water Standby charge this year is calculated as follows: 360 parcels all of which are charged at \$37.70 per parcel for a total of \$13,572.00 and one parcel owned by “LCDZ Investors” (formerly owned by “Copley Press”) charged for a total of \$20,150.00.

If you have any questions regarding these charges, please do not hesitate to contact me at (949) 955-1500.

**BORREGO WATER DISTRICT
POLICY STATEMENT**

SUBJECT: STATEMENT OF INVESTMENT POLICY

NO: 1994-03-01

ADOPTED: March 16, 1994	AMENDED: February 28, 2007
AMENDED: December 20, 1995	AMENDED: February 27, 2008
AMENDED: January 22, 1997	AMENDED: February 25, 2009
AMENDED: September 23, 1998	AMENDED: July 22, 2009
AMENDED: January 27, 1999	AMENDED: July 28, 2010
AMENDED: March 29, 2000	AMENDED: July 27, 2011
AMENDED: January 29, 2003	AMENDED: June 27, 2012
AMENDED: February 26, 2004	AMENDED: June 26, 2013
AMENDED: February 23, 2005	AMENDED: June 25, 2014
AMENDED: February 22, 2006	

RESOLUTION NO. 2014-06-02

***RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT RESTATING AND
ADOPTING A STATEMENT OF INVESTMENT POLICY***

WHEREAS, the Board of Directors (“Board”) of the Borrego Water District (the “District”) desires to rescind Resolution No. 2012-6-3 dated June 27, 2012 and adopt an Annual Statement of Investment Policy;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Borrego Water District that the following is the investment policy of the Borrego Water District:

INVESTMENT POLICY:

I. Annual Statement of Investment Policy:

In accordance with the California Government Code, the District Treasurer will render an annual statement of investment policy to the Board of Directors. The Board will review and affirm or amend the policy at that time.

2. Investment Objectives:

- a. Safety:** It is the primary duty and responsibility of the Treasurer to protect, preserve and maintain the cash and investments placed in his trust on behalf of the citizens of the community.

- b. **Liquidity:** an adequate percentage of the portfolio should be maintained in liquid short-term securities, which can be converted to cash if necessary to meet disbursement requirements.
- c. **Yield:** Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

3. **Investment Policy:**

- a. **Collateralization:** The District requires banks or savings and loans to collateralize investments in excess of FDIC amounts, currently insured up to \$250,000, with government securities valued at 110% of the amount of deposit with said bank or savings and loan. Said collateral is to be held in an independent safekeeping account in the District's name.

b. **Authorized Investments and Portfolio Limits:**

- 1) Local Agency Investment Fund: District money may be invested in the Local Agency Investment Fund (LAIF) in accordance with Section 16429.1 of the Government Code. Such deposits shall not exceed 98% of the District's total available investment capital. Total investment capital is defined to be all bank accounts plus the District's Direct Investments with the Local Agency Investment Fund.
 - 2) FDIC Insured Institutions' Certificates of Deposit and Savings Accounts: District investments shall not exceed 95% of the District's total investment capital or more than 75% in a single FDIC-insured financial institution unless provision 4), below is used.
 - 3) U.S. Government Bills, Notes, Bonds and Overnight Money Market Funds which invest entirely in U.S. Government Bills, Notes and Bonds: The limit in the amount of the investment portfolio in these instruments is 20%, maturity will be limited to a maximum of five years.
 - 4) Certificates of Deposit, Account Registry Services (CDARS): The Board may divert 95% of its' investments to a financial institution which provides CDARS. All of the CDARS investments shall be FDIC insured.
- c. **Treasurer's Reports:** The Treasurer shall provide a quarterly report showing the type of investment, issuer, maturity, par and dollar amount, market value of portfolio and source of the valuation. The Quarterly Report may list Money Market Funds and funds in the State of California Local Agency Investment Fund (LAIF) as cash. The Quarterly Report shall state the compliance of the portfolio with the Statement of Investment Policy and the Borrego Water District's ability to meet its expenditure requirement for the next six months.

ADOPTED, SIGNED AND APPROVED by the Board of Directors of the Borrego Water District this 25th day of June, 2014.

Beth Hart, President Board of Directors of Borrego Water District

ATTEST:

Marshal Brecht, Secretary Board of Directors of Borrego Water District

STATE OF CALIFORNIA)

)

COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing Resolution No. 2014-06-02 was duly adopted by the Board of Directors of said District at the Regular Meeting of the Board of Directors held on June 25, 2014, and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Marshal Brecht, Secretary
Board of Directors Borrego Water District

(SEAL)

STATE OF CALIFORNIA)

) ss.

COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2014-06-02 of said Board, and that the same has not been amended or repealed.

Dated: June 25, 2014

Marshal Brecht, Secretary
Board of Directors Borrego Water District

(SEAL)

RESOLUTION NO. 2014-06-03

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT, SAN DIEGO COUNTY,
CALIFORNIA, LEVYING STANDBY CHARGES AND/OR
ACREAGE ASSESSMENTS TO DEFRAY THE COST OF
OPERATIONS AND MAINTENANCE OF THE DISTRICT
AND REQUESTING THE LEVY AND COLLECTION OF
SAID STANDBY CHARGES AND/OR ACREAGE
ASSESSMENTS ON LAND WITHIN THE DISTRICT FOR
THE FISCAL YEAR 2014-2015**

WHEREAS, *Section 35470* of the Water Code of the State of California provides that a California Water District may in lieu, in whole, or in part, of raising funds for District purposes by ad valorem assessments, levy standby charges and/or acreage assessments on land to defray the cost of operations and maintenance and for any lawful district purpose; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy standby charges and/or acreage assessments for the purpose of defraying certain operations and maintenance costs for the Fiscal Year 2014-2015;

NOW, THEREFORE, the Board of Directors of Borrego Water District **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed standby charges and/or acreage assessments in the amounts on land within the District as shown on Exhibit A attached hereto and made a part hereof to defray the cost of operations and maintenance for the Fiscal Year 2014-2015. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIID of the Constitution of the State of California.

SECTION 2. Pursuant to *Section 35479* of the Water Code, the Board of Supervisors of the County of San Diego is hereby requested at the time and manner of levying other County taxes to make levies in the amounts on land within the District, as shown on Exhibit A, and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the Board of Supervisors and the Auditor/Controller of the County of San Diego a certified copy of this Resolution along with other documents as may be required.

ADOPTED, SIGNED AND APPROVED this 25th day of June, 2014.

President of the Board of Directors of
Borrego Water District

ATTEST:

Secretary of the Board of Directors of
Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said District at a adjourned regular meeting held on the 25th day of June, 2014, and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Secretary of the Board of Directors of Borrego Water
District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2014-06-03, of said Board, and that the same has not been amended or repealed.

Dated: June 25, 2014

Secretary of the Board of Directors of Borrego Water
District

RESOLUTION NO. 2014-06-04

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT, SAN DIEGO COUNTY,
CALIFORNIA, LEVYING STANDBY CHARGES AND/OR
ACREAGE ASSESSMENTS TO DEFRAY THE COSTS OF
OPERATIONS AND MAINTENANCE OF THE DISTRICT,
AND TO PAY COSTS OF OPERATIONS AND
MAINTENANCE FOR IMPROVEMENT DISTRICT NO. 1
AND REQUESTING THE LEVY AND COLLECTION OF
SAID STANDBY CHARGES AND/OR ACREAGE
ASSESSMENTS ON CERTAIN LAND IN IMPROVEMENT
DISTRICT NO. 1 FOR THE FISCAL YEAR 2014-2015**

WHEREAS, Improvement District No. 1 of the Borrego Water District was formed for the purpose of providing water, sewer and flood control service to the lands and inhabitants of the Improvement District and for said purpose water, sewer and flood control systems have been constructed for the benefit of said Improvement District; and

WHEREAS, by reason of the construction of said water, sewer and flood control systems, water, sewer and flood control service is now and will be available to lands therein and said water, sewer and flood control systems are a benefit to the lands lying within said Improvement District; and

WHEREAS, *Section 35470* of the Water Code of the State of California provides that a California Water District may in lieu, in whole, or in part, of raising funds for District purposes by ad valorem assessments, levy standby charges and/or acreage assessments on land, to defray the cost of operations and maintenance and for any lawful district purpose; and

WHEREAS, matters have been presented to and considered by the Board of Directors relating to the financial requirements of said Improvement District; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy standby charges and/or acreage assessments within Improvement District No. 1 for the purpose of paying certain operations and maintenance costs and the payment of a portion of the debt service on bonds of Improvement District No. 1 for the Fiscal Year 2014-2015;

NOW, THEREFORE, the Board of Directors of the Borrego Water District hereby **RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed standby charges and/or acreage assessments in the amounts on land within Improvement District No. 1 as shown on Exhibit A attached hereto and made a part hereof for the payment of the cost of operation and maintenance for said Improvement District No. 1 for the Fiscal Year 2014-2015. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit

A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIID of the Constitution of the State of California.

SECTION 2. Pursuant to *Section 35479* of the Water Code, the Board of Supervisors is requested at the time and manner of levying other County taxes to make levies in the amounts on said lots within Improvement District No. 1 as shown on Exhibit A and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the County Board of Supervisors and the County Auditor/Controller a certified copy of this Resolution along with other documents as may be required.

ADOPTED, SIGNED AND APPROVED this 25th day of June, 2014.

President of the Board of Directors of
Borrego Water District

ATTEST:

Secretary of the Board of Directors of
Borrego Water District

RESOLUTION 2014-06-05

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT, SAN DIEGO COUNTY,
CALIFORNIA, LEVYING CHARGES AND/OR ACREAGE
ASSESSMENTS TO DEFRAY THE COST OF PROVIDING
PEST CONTROL SERVICES BY THE DISTRICT AND
REQUESTING LEVY AND COLLECTION OF SAID
CHARGES AND/OR ACREAGE ASSESSMENTS FOR THE
FISCAL YEAR 2014-2015**

WHEREAS, *Section 35565.5* of the Water Code of the State of California provides that a California Water District may, in the manner as provided in Section 35470 of the Water Code, in lieu, in whole or in part, of raising funds for District purposes by ad valorem assessments, levy charges and/or acreage assessments on land within the District to defray the cost of mosquito abatement and vector control services; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy charges and/or acreage assessments for the purpose of defraying the cost of providing mosquito abatement and vector control services for the Fiscal Year 2014-2015.

NOW, THEREFORE, the Board of Directors of Borrego Water District **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed charges and/or acreage assessments in the amounts on land within the District as shown on Exhibit A attached hereto and made a part hereof to provide pest control services for the Fiscal Year 2014-2015. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIID of the Constitution of the State of California.

SECTION 2. Pursuant to Section 35479 of the Water Code, the Board of Supervisors of the County of San Diego is hereby requested at the time and manner of levying other County taxes to make levies in the amounts on land within the District, as shown on Exhibit A, and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the Board of Supervisors and the Auditor/Controller of the County of San Diego a certified copy of this Resolution.

ADOPTED, SIGNED AND APPROVED this 25th day of June, 2014.

President of the Board of Directors of
Borrego Water District

ATTEST:

Secretary of the Board of Directors of
Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said District at a adjourned regular meeting held on the 25th day of June, 2014, and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Secretary of the Board of Directors of Borrego Water
District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2014-06-05, of said Board, and that the same has not been amended or repealed.

Dated:

Secretary of the Board of Directors of Borrego Water
District

RESOLUTION NO. 2014-06-06

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT, SAN DIEGO COUNTY,
CALIFORNIA, LEVYING STANDBY CHARGES AND/OR
ACREAGE ASSESSMENTS TO DEFRAY THE COST OF
OPERATING AND MAINTAINING THE WATER
FACILITIES WITHIN IMPROVEMENT DISTRICT NO. 3
OF THE DISTRICT AND REQUESTING THE LEVY AND
COLLECTION OF SAID STANDBY CHARGES AND/OR
ACREAGE ASSESSMENTS FOR THE FISCAL YEAR
2014-2015**

WHEREAS, Improvement District No. 3 of the Borrego Water District was formed for the purpose of providing water service to the lands and inhabitants of the Improvement District; and

WHEREAS, by reason of the acquisition of the water system, water service is now and will be available to lands therein and said water system is a benefit to the lands lying within said Improvement District; and

WHEREAS, *Section 35470* of the Water Code of the State of California, provides that a California Water District may in lieu, in whole, or in part, of raising funds for District purposes by ad valorem assessments, levy standby charges and/or acreage assessments to defray the cost of operations and maintenance and for any lawful district purpose; and

WHEREAS, matters have been presented to and considered by the Board of Directors relating to the financial requirements of said Improvement District; and

WHEREAS, the Board of Directors has determined that it is deemed advisable and necessary to fix and levy standby charges and/or acreage assessments within Improvement District No. 3 of the District to defray the cost of operations and maintenance of the water facilities within Improvement District No. 3 for the Fiscal Year 2014-2015.

NOW, THEREFORE, the Board of Directors of Borrego Water District **DOES HEREBY RESOLVE, DETERMINE AND ORDER** as follows:

SECTION 1. There is hereby fixed standby charges and/or acreage assessments in the amounts on land within Improvement District No. 3 as more fully described in Exhibit A attached hereto and made a part hereof to defray the cost of operations and maintenance for Improvement District No. 3 for the Fiscal Year 2014-2015. This Board of Directors hereby determines that said standby charges and/or acreage assessments in an amount not exceeding the assessments set forth in Exhibit A was existing prior to July 1, 1997 and that said assessments are exempt from the provisions of Article XIID of the Constitution of the State of California.

SECTION 2. Pursuant to *Section 35479* of the Water Code, the Board of Supervisors of the County of San Diego is hereby requested at the time and manner of levying other County taxes to make levies in the amounts on land within Improvement District No. 3, shown on Exhibit A, and cause to be collected the amounts specified therein.

SECTION 3. The Secretary of the District is hereby directed to submit to the Board of Supervisors and the Auditor/Controller of the County of San Diego a certified copy of this Resolution along with other documents as may be required.

ADOPTED, SIGNED AND APPROVED this 25th day of June, 2014.

President of the Board of Directors of
Borrego Water District

ATTEST:

Secretary of the Board of Directors of
Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said District at a adjourned regular meeting held on the 25th day of June, 2014, and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Secretary of the Board of Directors of Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2014-06-06 of said Board, and that the same has not been amended or repealed.

Dated: June 25, 2014

Secretary of the Board of Directors of Borrego Water District

RESOLUTION NO. 2014-06- 07

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT ACTING AS THE
LEGISLATIVE BODY OF COMMUNITY FACILITIES
DISTRICT NO. 2007-1 OF THE BORREGO WATER
DISTRICT AUTHORIZING THE LEVY OF SPECIAL TAXES
WITHIN COMMUNITY FACILITIES DISTRICT NO. 2007-1
FOR THE FISCAL YEAR 2014-2015**

WHEREAS, the Borrego Water District (the “District”) previously established Community Facilities District No. 2007-1 of the Borrego Water District (“CFD No. 2007-1”) pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended; and

WHEREAS, the Board of Directors of the District acting as the legislative body of CFD No. 2007-1 is authorized pursuant to Resolutions Nos. 2007-3-1 and 2007-3-2 adopted March 14, 2007 (the “Resolutions of Formation”) and Ordinance No. O2007-2 adopted by the Board of Directors of the District on May 9, 2007 (the “Ordinance”), to levy a special tax sufficient to pay principal, interest, other periodic costs and administrative expenses with respect to bonds of CFD 2007-1 and any bonds and/or certificates of participation proposed to be issued to finance the Facilities (the “Bonds”) and to pay certain costs of the Facilities (as defined in the Resolutions of Formation); and

WHEREAS, it is now necessary and appropriate that this Board levy and collect the special taxes for the Fiscal Year 2014-2015 for the purpose specified in the Ordinance, by the adoption of a resolution as specified by the Act and the Ordinance; and

WHEREAS, the special taxes being levied hereunder are at the same rate or at a lower rate than provided by the Ordinance;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE BORREGO WATER DISTRICT, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2007-1, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The above recitals are true and correct.

SECTION 2. The special tax (“Special Tax”) is imposed without regard to property valuation and is levied in compliance with the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Government Code Section 53311 (the “Act”) and the Ordinance.

SECTION 3. In accordance with the Act and the Ordinance, there is hereby levied upon the parcels within the District which are not otherwise exempt from taxation under the Act or the Ordinance the special taxes for the Fiscal Year 2014-2015 at the tax rates set forth in the report

prepared by David Taussig and Associates for CFD No. 2007-1 entitled "Administration Report Fiscal Year 2014-2015" (the "Report") submitted herewith, which rates do not exceed the maximum rates set forth in the Ordinance. After adoption of this Resolution, the General Manager of the District, or his designee, may make any necessary modifications to these special taxes to correct any errors, omissions or inconsistencies in the listing or categorization of parcels to be taxed or in the amount to be charged to any category of parcels; provided, however, that any such modifications shall not result in an increase in the tax applicable to any category of parcels and can only be made prior to the submission of the tax rolls to the San Diego County Auditor or prior to delivery of direct billings, as applicable.

SECTION 4. All of the collections of the special tax shall be used only as provided for in the Act and the Resolutions of Formation. The special tax shall be levied only so long as needed to accomplish the purposes described in the Resolutions of Formation.

SECTION 5. The special tax shall be collected in the same manner as ordinary ad valorem taxes are collected, provided, however, that CFD No. 2007-1 may directly bill the special tax, may collect special taxes at a different time or in different manner if necessary to meet its financial obligations, and the special tax shall be subject to the same penalties and the same procedure and sale in cases of delinquency as provided for ad valorem taxes as such procedure may be modified by law or this Board from time to time.

SECTION 6. As a cumulative remedy, if any amount levied as a special tax for payment of bond interest or principal, together with any penalties and other charges accruing under this Resolution, are not paid when due, the Board of Directors may, not later than four years after the due date of the last installment of principal on the Bonds, order that the same be collected by an action brought in the superior court to foreclose the lien of such special tax.

SECTION 7. The General Manager is hereby authorized and directed to transmit a certified copy of this Resolution and the Report to the San Diego County Auditor, together with other supporting documentation as may be required to place said special taxes on the secured property tax roll for the Fiscal Year 2014-2015, and/or arrange for the direct billing of the special taxes, and to perform all other acts which are required by the Act, the Ordinance, or by law in order to accomplish the purpose of this Resolution.

ADOPTED, SIGNED AND APPROVED this 25th day of June, 2014.

President of the Board of Directors of
Borrego Water District

ATTEST:

Secretary of the Board of Directors of
Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said District at a adjourned regular meeting held on the 25th day of June, 2014, and that it was so adopted by the following vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:
ABSTAIN: DIRECTORS:

Secretary of the Board of Directors of Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2014-06-07 of said Board, and that the same has not been amended or repealed.

Dated: June 25, 2014

Secretary of the Board of Directors of Borrego Water District

SETTLEMENT AGREEMENT AND RELEASE

Babb

This Settlement Agreement and Release (“Agreement”) is made and effective as of this 22 day of June, 2011, by and among Monica Real Estate Holdings, L.P., a California Partnership, (“Monica”) and the Borrego Water District (“District”), with Monica and District collectively referred to as the “Parties.”

RECITALS

WHEREAS, disputes have arisen in connection with issues pertaining to (i) that certain Purchase and Sale Agreement (Exclusive Groundwater Easement) and Joint Escrow Instructions dated October 4, 2007 by and between Monica and the District (the “Monica Agreement”) and (ii) that certain Grant of Exclusive Groundwater Easement and Incidental Nonexclusive Easement to Borrego Water District recorded November 14, 2007 as Document No. 2007-0718802 (the “BWD Easement”), wherein Monica granted 150 Water Credits to the District of a total of 190 Water Credits;

WHEREAS, the parties have received conflicting information regarding the size of the combined real property defined as the “Property” and the “Retained Property” in the Monica Agreement (collectively, the “Total Monica Property”);

WHEREAS, Monica represents and warrants in the BWD Easement that the Total Monica Property historically used a total of 190 acre feet of water per year to maintain citrus groves thereon. Monica has provided the District two years worth of SDG&E electric records from the property’s water pump; and the District reviewed these records of water usage; Monica and the District entered into the 2007 Exclusive Groundwater Easement to Borrego Water District which provided in Section 8(s)(iii): “Nothing in this Groundwater Easement shall limit Grantor from transferring its groundwater rights derived from the retained property up to a maximum of forty (40) acre feet of water per year to a third party.”;

WHEREAS, the BWD Easement reserves to Monica and its successors in interest the right to use a maximum of one (1) acre foot of water per year (one Water Credit) for any lawful use other than agricultural irrigation, to be drawn from and used for the benefit of the Retained Property;

WHEREAS, in 2008, after the close of escrow on the Monica Agreement and recordation of the BWD Easement, Monica sold to KRS Development, Inc. 401(k) Retirement Savings Plan (002) FBO Kent R Smith (“KRS Hawaii”) an easement (the “Hawaii Easement”) over 6.5789 acres of real property (25 Water Credits) comprising a portion of the “Retained Property” as that term is defined in the BWD Easement;

WHEREAS, in 2009 after the recordation of the BWD Easement, close of escrow on the Monica Agreement, and recordation of the Hawaii Easement, the District adopted its Steven Smiley Memorial Water Credit and Mitigation Policy (the “Mitigation Policy”), which Mitigation Policy established the consumptive use of citrus groves at five (5) acre feet of water per acre per year and established that the District would issue AG-1 credits when live citrus was eliminated, as Monica accomplished pursuant to the BWD Easement.

WHEREAS, Monica now claims entitlement to 15 AG-1 Water Credits from all or a portion of the remainder of the "Retained Property" as that term is defined in the BWD Easement; however, the District and Monica disagree as to the quantity of Water Credits to which Monica is entitled under the Mitigation Policy;

WHEREAS, Monica has threatened to sue the District to recover all or a portion of the Water Credits to which it claims entitlement; and

WHEREAS, the Parties desire to settle their disputes without litigation and the associated expenditures of time and money.

NOW THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties hereby agree as follows:

1. **Incorporation by Reference.** The Recitals set forth above are incorporated herein by this reference and made a part of this Agreement. Capitalized words and phrases used in this Agreement and not otherwise defined herein have the meaning set forth in the BWD Easement. Capitalized words and phrases used in this Agreement and not otherwise defined herein or in the BWD Easement have the meaning set forth in the Monica Agreement.

2. **Obligations of the Parties.**

1. Consistent with the terms set forth in the Monica Agreement, the BWD Easement over that portion of the Total Monica Property that is not the subject of the BWD Easement or the Hawaii Easement (the New Monica Easement), the District shall, under its Mitigation Policy, issue an easement over the remainder property and Fifteen (15) AG-1 Water Credits (Monica credits) to such person or entity as Monica may designate in writing at no cost to Monica.
2. Or, at Monica's discretion, the District shall issue an easement as described above in Item 2(a) and 14 AG-1 Water Credits to such person or entity as Monica may designate in writing, reserving up to a maximum of one AG-1 Water Credit to Monica and its successors in interest, the right to use one acre foot of water per year which is drawn from the well and used for any lawful use other than agricultural irrigation for the benefit of the Retained Property as that term is defined in the BWD easement.
3. The District shall bear the cost of a title report to establish free and clear title to the remainder property subject to the easement in Item 2(a) and or 2(b).
4. Monica shall not be required to comply with the provisions of Section 5(A)(1) through 5(A)(5), 5(C)(iii) or 5(C)(v) of the Mitigation Policy with regard to the initial issuance of the Monica Credits pursuant to this Agreement. Any future transfer, conveyance or other change to the Monica Credits must comply in every respect with the Mitigation Policy, including, but not limited to, payment of fees.

5. The parties acknowledge that Monica has previously complied with the provisions of Section 5(B)(ii) of the Mitigation Policy.

3. **Mutual Waiver of Costs and Attorneys' Fees.** Each Party shall bear its own legal fees and costs as to any and all matters leading up to and including the preparation of this Agreement.

4. **Mutual Release Between Monica and District.** In consideration of the foregoing, and excepting only the promises and obligations set forth herein and in the BWD Easement, the District and Monica hereby irrevocably and unconditionally release and forever discharge one another and each of their respective predecessors, successors, assigns, directors, officers, trustees, members, executors and administrators, agents, employees, representatives, attorneys, affiliates and all persons acting by, through, under or in concert with any of them (collectively "Releasees") or any of them, from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, judgments, losses, costs, and expenses, including, without limitation, attorneys' fees, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent (hereinafter "Claim" or "Claims") which they now have, own, hold or claim to have, own or hold, or at any time heretofore had, owned, held or claimed to have, own or hold, against one another or any of their Releasees, including but not limited to those claims which arise from, are based upon, or are related to (i) consumptive use and/or quantity of water historically used on the Total Monica Property or any portion thereof, (ii) the size of the Total Monica Property and/or (iii) the calculation of Water Credits attributable to the Total Monica Property or any portion thereof. Notwithstanding the foregoing, the Parties' mutual releases of each other shall not affect, discharge, or release Claims, whether known or unknown, which arise from or relate to the rights or obligation of the Parties, whether presently existing or subsequently accruing, with respect to the performance of any obligations or the exercise of any rights created by and arising under this Agreement, the BWD Easement, the Hawaii Easement and/or Sections 10, 11, 14, 16 and/or 17 of the Monica Agreement.

5. **Unknown Claims.** The Parties acknowledge that there is a risk that subsequent to the execution of this Agreement, they may discover, incur or suffer from Claims which were unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arise from, are based upon or relate to any existing issue regarding (i) consumptive use and/or quantity of water historically used on the Total Monica Property or any portion thereof, (ii) the size of the Total Monica Property and/or (iii) the calculation of Water Credits attributable to the Total Monica Property or any portion thereof, which, if known by them on the date this Agreement is being executed, may have materially affected their decision to execute this Agreement. District and Monica acknowledge that they are assuming the risk of such unknown and unanticipated Claims and agree that this release of the other parties hereto and such other parties' Releasees applies thereto. District and Monica expressly waive the benefits of Section 1542 of the California Civil Code, which reads as follows:

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

The foregoing release of unknown claims shall not affect, discharge, or release Claims, whether known or unknown, which arise from or relate to the rights or obligation of the Parties, whether presently existing or subsequently accruing, with respect to the performance of any obligations or the exercise of any rights created by and arising under this Agreement, the BWD Easement, the Hawaii Easement and/or Sections 10, 11, 14, 16 and/or 17 of the Monica Agreement.

6. **Full and Independent Knowledge.** Each Party represents that it has been represented by independent counsel of its own choosing in connection with the preparation and review of this Agreement and that it has carefully read and understands the scope and effect of each provision contained herein.

7. **Ownership of Claims.** Each Party represents and warrants to the other parties and such other parties' Releasees that it has not assigned or transferred or purported to assign or transfer the New Monica Easement or any portion thereof, any Claim, or any portion thereof or any interest therein, and agrees to indemnify, defend, and hold the other parties and such other parties' Releasees harmless from and against any Claim based on or arising out of any such assignment or transfer, or purported assignment or transfer.

8. **Compromise.** Each Party agrees that this Agreement is the result of a compromise and shall never at any time or for any purpose be considered as an admission of liability or responsibility on the part of any Party.

9. **Successors.** This Agreement shall be binding upon the heirs, administrators, executors, successors and assigns of each of the Parties and this Agreement shall inure to the benefit of the heirs, administrators, executors, successors and assigns of each of the Parties.

10. **Partial Invalidity.** Subject to the provisions of Section 3 above, should any provision of this Agreement be declared or determined by any court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall, to the greatest extent permissible by law, not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of this Agreement and the balance of this Agreement shall continue to be in full force and effect.

11. **Discovery of Additional Facts.** Monica and District agree and acknowledge that if they, or any of them, hereafter discover facts different from or in addition to those they, or any of them, now know or believe to be true with respect to the matters released herein, Monica and District nonetheless agree that the releases set forth herein shall be and will remain effective in all respects notwithstanding discovery of different or additional facts.

12. **No Representations.** Except as expressly provided in this Agreement, no Party or any officer, agent, employee, representative or attorney of or for any Party, has made any statement or representation to any other party regarding any fact relied upon by any other party entering into this Agreement, and no Party has relied upon any statement, representation or promise of any other party, or of any other officer, agent, employee or attorney for the other party, in executing this Agreement or in making the settlement provided for herein, except as expressly stated herein. To the extent that any Party relies upon any statement, representation or fact not set forth in this Agreement, it does so at its own risk and expressly waives any right to rely upon such a statement, representation or fact.

13. **Factual Investigation.** Monica and District have made such investigation of the facts pertaining to this settlement and the releases set forth herein and all matters pertaining hereto as it deems necessary. In entering into this Agreement, Monica and District assume the risk of any mistake. The releases set forth in this Agreement are intended to be final and binding upon and between the Parties, regardless of any future or existing claims of misrepresentations, promises made without the intention of performing them, mistake of fact or law, or any other circumstances whatsoever, except as set forth above.

14. **Notices.** All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been duly given if (i) delivered personally to the recipient; (ii) sent to the recipient by reputable express courier service (charges prepaid) or mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid; or (iii) transmitted by telecopier or electronically to the recipient with a confirmation copy to follow the next day to be delivered by overnight carrier or regular mail. Such notices, demands or other communications shall be sent to the addresses indicated below:

a. If to District: Jerry Rolwing, General Manager
Borrego Water District
P.O. Box 1870
806 Palm Canyon Drive
Borrego Springs, CA 92004
Telephone: (760) 767-5806
Facsimile: (760) 390-7101

Notice shall be given to such other address or to the attention of such other person as the recipient Party has specified by prior written notice to the sending Party. Date of service of such notice shall be the earlier of (i) the date such notice is personally delivered or delivered electronically or via facsimile, so long as a hard copy is mailed on the same date if delivery was by e-mail or facsimile; (ii) three (3) days after the date of mailing if sent by certified or registered mail; or (iii) one day after the date of delivery to a bona fide overnight courier service if sent by such overnight courier.

15. **Choice of Law.** This Agreement and the rights of the Parties hereunder shall be governed by and construed in accordance with the laws of the State of California including all matters of construction, validity, performance, and enforcement and without giving effect to the principles of conflict of laws.

16. **Jurisdiction.** The Parties submit to the jurisdiction of the Federal Court (Southern District of California) and State Court (San Diego Superior Court, Central Division) for the resolution of all legal disputes arising under the terms of this Agreement.

17. **Entire Agreement.** Except as provided herein, this Agreement, including exhibits, contains the entire agreement of the Parties, and shall be deemed to supersede all pre-existing negotiations, representations or agreements and all other oral, written, or other communications between them concerning the subject matter of this Agreement unless reduced to writing and executed by all of the Parties to the Agreement. There are no representations, agreements,

arrangements, or understandings, oral or written, between and among the parties hereto relating to the subject matter of this Agreement that are not fully expressed herein.

18. **Captions.** The captions in this Agreement are inserted only as a matter of convenience and for reference and shall not be deemed to define, limit, enlarge, or describe the scope of this Agreement or the relationship of the Parties, and shall not affect or provide any substantive content to this Agreement or the construction of any provisions herein.

19. **Counterparts.** This Agreement may be executed in one or more counter-parts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument.

20. **Modification.** No change, modification, addition, or amendment to this Agreement shall be valid unless in writing and signed by all the Parties, except as otherwise set forth in this Agreement.

21. **Negotiations.** The Parties mutually agree and warrant that all negotiations relative to this Agreement have been carried on by them directly. No brokerage, finder's fee, or other commission is or will be due to any person or entity relative to this Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF, this Agreement has been executed by the following to be effective as of the date first written above.

OWNER: MONICA REAL ESTATE HOLDINGS, L.P.

By: _____
Rudy Monica
Its: General Partner

APPROVED AS TO FORM

By: _____
Attorneys for Monica Real Estate Holdings, L.P.

By: _____
Lisa A. Foster
McDougal, Love, Eckis, Boehmer & Foley
Attorneys for Borrego Water District

DISTRICT:

BORREGO WATER DISTRICT

By: _____

Attest:

By: _____
District Secretary

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: _____)
)

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

**BWD FORM 102
 SECOND GRANT OF EXCLUSIVE GROUNDWATER EASEMENT
 TO
 THE BORREGO WATER DISTRICT**

This Second Grant of Groundwater Easement (this “Second Easement”) is made as of _____, 2014, by Monica Real Estate Holdings, L. P., (“Monica” or “Grantor”), for the benefit of the BORREGO WATER DISTRICT, (the “District” or “Grantee”), a water district formed pursuant to California law.

RECITALS

A. Grantor is the fee owner of approximately 47.509 acres of contiguous real property in the County of San Diego, State of California, as particularly set forth in the legal description in Exhibit A (“Total Monica Property”). Grantor had operated a citrus farm on the Total Monica Property since 2006.

B. In 2007, Grantor and Grantee entered into a Purchase and Sale Agreement and a Grant of Exclusive Groundwater Easement (the “2007 Agreement and Easement”) for just compensation for 40 acres of the citrus farm, in which the Grantor agreed to cease all agricultural and/or farming operations on the 40 acres, and to cease and prevent all groundwater extraction for purposes of the 40 acres, in exchange for the purchase by the Grantee of 150 Water Credits from the Grantor. As part of the 2007 Agreement and Easement, Grantor retained the right to use 40 acre feet of water for any lawful purpose to serve the remaining 10 acres of property. This First Easement did not provide for any enforcement rights to the County of San Diego as a third party beneficiary related to Groundwater use.

C. In 2008, Grantor and KRS Development, Inc. 401 (K) Retirement Savings Plan (002) FBO Kent R. Smith, entered into a Purchase and Sale Agreement and a Grant of Exclusive Groundwater Easement for 6.5789 acres of the citrus farm. Subsequent to this second sale, a licensed land surveyor conducted an informal land survey and determined the Total Monica Property to be a total of 47.509 acres in size, rather than 50 acres as previously stated in the 2007 Agreement between Grantor and Grantee.

D. Pursuant to the 2007 and 2008 sales, Monica thus retained the remainder of the property, approximately .9301 acres of the original farm which from time to time will be referred to herein as the “Retained Property or “Servient Tenement”.

E. This Second Easement concerns .9301 acres, the remainder of the Total Monica Property owned by Grantor, whose legal description is set forth in Exhibit “B” and depicted in Exhibit C.

F. The Retained Property 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”).

G. 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 District.

H. The Grantor now desires to enter into a Second Exclusive Easement with Grantee to reduce the extraction of the groundwater to which the Grantor is or may be entitled as a result of the Grantor’s ownership of the Retained Property, in consideration for which Grantee will provide Grantor with approximately 5 AG-1 Water Credits, as defined in the District’s Water Credit and Mitigation Policy, adopted September 2009, and as amended from time to time (the “Policy”) and its Memorandum of Agreement Regarding Water Credit with the County of San Diego (the “MOA”). The number of AG-1 Water Credits issued to Grantor by Grantee are calculated in accordance with the County’s determination under the MOA.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, Grantor grants a second exclusive groundwater easement to Grantee under the following terms and conditions:

1. Grant of Groundwater Easement. Grantor hereby grants to Grantee an exclusive 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 (which uses are hereby expressly reserved by the Grantor): (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 and the MOA.

2. Grant of Incidental Nonexclusive Easement. In addition to the Groundwater Easement granted in Section 1 of this Second Easement, Grantor also hereby grants to Grantee a nonexclusive easement over, under, within and through the Property for the Easement Purposes, as defined in Section 4 of this Second Easement. The nonexclusive easement granted by this Section 2 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 Second Easement, the District’s Mitigation Entitlement Policy; 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.

3. Enforcement by County of San Diego. The County of San Diego has the right, but not the obligation, to enforce the rights conveyed to the County under this Second Easement.

4. 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.

5. Character of Easement. The Groundwater Easement granted in this Second Easement Agreement is in gross (for the benefit of the Grantee).

6. Term. The Groundwater Easement granted in this Easement Agreement shall be an easement in perpetuity for the benefit of the Grantee, and shall run with the land.

7. Maintenance and Liability; Taxes. 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 shall further be responsible and shall timely pay all real property taxes, assessments, liens or encumbrances on the Property. Grantor hereby agrees to indemnify, defend, and hold Grantee harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, tax, assessment, 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.

8. Consideration. In consideration of the grant of the Easement granted in this Second Easement, the Grantee will recognize 5 AG1 Water Credits issued as meeting County’s requirements for groundwater use offsets for new development, according to the terms and conditions of the MOA.

9. Exclusive Easement. Grantee’s use of the Groundwater Easement granted in this Second Easement shall be exclusive. Grantor shall not extract, use, divert, 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 Second Easement.

10. Third Party Beneficiary. Grantor hereby acknowledges that it is the intent of the parties that this Agreement complies with the District’s Memorandum of Agreement Regarding Water Credit with the County of San Diego (the “MOA”). Therefore, so long as this Agreement is determined to be, and remains, in compliance with the MOA, the County of San Diego shall be a beneficiary of the terms and conditions of this Agreement, and shall have the same rights granted to Grantee under this Second Easement.

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

12. **Enforcement by County of San Diego.** The County of San Diego has the right, but not the obligation, to enforce the rights conveyed to the County under this Second Easement.

13. **Attorney's Fees.** In the event any declaratory or other legal or equitable action is instituted between the Grantor and the Grantee in connection with this Agreement, the prevailing party shall be entitled to recover from the losing party all of its costs and expenses, including court costs, expert witness fees and reasonable attorneys' fees, and all fees, costs and expenses incurred on any appeal or in collection of any judgment.

14. **Entire Agreement.** This Second Easement and its exhibits 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.

15. **Liquidated Damages.** GRANTOR ACKNOWLEDGES THAT GRANTEE IS ENTERING INTO THIS EASEMENT AGREEMENT FOR THE EXPRESS AND EXCLUSIVE PURPOSE OF GROUNDWATER PRESERVATION. IF GRANTOR COMMENCES OR RE-COMMENCES ANY ACTIVITY ON THE PROPERTY IN VIOLATION OF THIS AGREEMENT, AND IN ADDITION TO ANY OTHER REMEDIES GRANTEE HAS NOW OR IN THE FUTURE, THE GRANTOR SHALL PAY TO GRANTEE AS LIQUIDATED DAMAGES, AND NOT AS A PENALTY, THE AMOUNT OF \$200 PER OCCURRENCE. FOR PURPOSES OF THIS SECTION 15, EACH DAY THAT GRANTOR COMMENCES OR RE-COMMENCES ANY ACTIVITY ON THE PROPERTY IN VIOLATION OF THIS EASEMENT AGREEMENT SHALL CONSTITUTE A SEPARATE OCCURRENCE. EACH DAY THAT GRANTOR PLACES IN SERVICE, OPERATES AND/OR UTILIZES ANY WELL ON THE PROPERTY SHALL CONSTITUTE A VIOLATION OF THIS AGREEMENT AND SHALL FURTHER CONSTITUTE A SEPARATE OCCURRENCE FOR PURPOSES OF THIS SECTION 15.

THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE LIQUIDATED DAMAGES PROVISION CONTAINED IN THIS SECTION 15 AND AGREE TO BE BOUND BY ITS TERMS. FURTHER, THE PARTIES HERETO ACKNOWLEDGE THAT THE GRANTEE IS ENTERING INTO THIS EASEMENT AGREEMENT FOR THE SPECIFIC PURPOSE OF PRESERVING GROUNDWATER AND THAT THE LIQUIDATED DAMAGES AMOUNT SPECIFIED IN THIS SECTION 15 IS A REASONABLE ESTIMATE, UNDER THE CIRCUMSTANCES EXISTING ON THE DATE OF EXECUTION OF THIS AGREEMENT, OF WHAT GRANTEE'S DAMAGES WOULD BE IN THE EVENT OF A DEFAULT BY GRANTOR.

THE TERMS OF THIS SECTION 15 SHALL BE IN ADDITION TO, AND NOT IN LIEU OF, ANY OTHER REMEDIES GRANTEE AND THE THIRD PARTY BENEFICIARY HAS TO ENFORCE THE TERMS AND CONDITIONS OF THIS SECOND EASEMENT IN LAW AND IN EQUITY.

GRANTOR'S INITIALS: _____

DISTRICT'S INITIALS: _____

16. 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: Monica Real Estate Holdings, L.P.
714 Passiflora Avenue
Encinitas, CA 92024
Attention: Rudy Monica

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

If to 3rd Party Beneficiary County of San Diego
Planning and Development Services
5510 Overland Avenue, Suite 110
San Diego, CA 92123
Attention: _____

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.

17. Counterparts. This Second Easement 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.

18. 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 Second Easement Agreement as of the date first set forth hereinabove.

GRANTOR:
MONICA REAL ESTATE HOLDINGS, L.P.

By: _____

GRANTEE:
BORREGO WATER DISTRICT

By: _____
BETH HART, PRESIDENT

APPROVED AS TO FORM AND LEGALITY:

By: _____

BORREGO WATER DISTRICT

DEMAND OFFSET MITIGATION WATER CREDITS POLICY

(revised –January 30, March 25, 2013, June 26, 2013, 1.22.14, 6.20.14)

1. PURPOSE

Groundwater basin studies by the United States Geological Survey (USGS) demonstrate the need for improved management of the Borrego Valley Groundwater Basin (“BVGB”). The 2013 results of the United States Geological Survey (USGS) BVGB study indicates that the overdraft has continued to grow since the USGS study of the BVGB in 1982 and presently represents a serious economic, social, and environmental threat to the Borrego Valley.

It is the desire of the Borrego Water District (“BWD”, “the District”) to encourage the voluntary immediate cessation and/or reduction of measurable water uses through, but not limited to, a permanent removal of turf and/or a permanent fallowing of Irrigated Agricultural Land (“Water Activity”) as one means to mitigate the current overdraft of the BVGB.

The objectives of this Policy include, but are not limited to, the following: (a) to reduce the demand on the upper groundwater aquifer that underlies the Borrego Valley; (b) to provide a mechanism by which new water demands are mitigated in compliance with the California Environmental Quality Act (“CEQA”); and (c) to create economic incentives for property owners engaged in high water demand activities to cease or reduce their groundwater demands consistent with the objectives of the BWD Groundwater Management Plan (GMP) as adopted by the District in 2001, and as subsequently amended and updated.

New groundwater demands shall conform with the Groundwater Mitigation Ordinance of the San Diego County Department of Planning and Development Services (“the County”) as revised from time to time and the most current Memorandum of Agreement (“MOA”) between BWD and the County Regarding Water Credits dated January 30, 2013.

Finally, this Policy establishes the administrative and technical procedures by which Water Credits are issued by the District, and provides for the ongoing administrative functions for controlling, monitoring and enforcing this Policy. Projects located out of the District boundary or not making application for water service from the District are not subject to this policy.

2. DEFINITIONS

- A. AFY: acre-feet of water use per year
- B. Applicant: the owner of real property who applies for more than one Water Credit pursuant to this Policy.

C. Application: the document by which an Applicant applies for more than one Water Credit pursuant to this Policy.

D. BVGB: Borrego Valley Groundwater Basin

E. BWD or District: the Borrego Water District.

F. Certificate Holder: Rightful owner of the BWD issued valid Water Credit.

G. CEQA: California Environmental Quality Act.

H. Conditional Water Credit Certificate: a document issued by the BWD identifying the number of Water Credits an Applicant will receive upon compliance with any and all conditions set forth therein and/or in this Policy, which certificate shall remain valid so long as this Policy remains in effect.

I. Consumptive Use: the amount of water lost from the groundwater resource due to evapotranspiration (plant use).

J. County: the government of San Diego County.

K. Desertscape: Landscape requiring no irrigation of any kind after an initial period not to exceed two (2) years of watering to establish any planting(s).

L. Developers and/or their Successors in Interest: Persons or entities seeking to commence an activity within the boundaries of the BWD that will create new or increased water demand on the BWD system, including, but not limited to, new residential or commercial development and/or expansion of existing uses/developments ("Development").

M. PDS: San Diego County Department of Planning and Development Services.

N. Easement: a legal restriction on the land to be followed that completely eliminates the extraction, use, storage, distribution or diversion of groundwater on the land subject to the easement in perpetuity, unless the project meets the exemptions of section 4A.

O. EDU or Equivalent Dwelling Unit: As of the adoption of this Policy, one EDU equals 1.0 acre foot per year (AFY) and may be recalculated by the District Manager upon direction of the Board of Directors.

P. Irrigated Agricultural Land: Land that is currently irrigated for active agricultural use. For purposes of this Policy, "currently irrigated" shall mean irrigated for agricultural use during the preceding twelve (12) month period -immediately preceding the date of the Application.

Q. Mitigation Policy: The BWD policy regarding mitigation of impacts of new developments on the Borrego aquifer adopted June 22, 2005 and thereafter amended and further amended and restated in Section 3 hereof.

R. MOA: Memorandum of Agreement between the Borrego Water District and the County of San Diego Regarding Water Credits dated January 30, 2013, as amended.

S. Property: the real property owned by the Applicant and to be restricted pursuant to this Policy.

T. Water Activity: one or more measurable water uses, including, but not limited to, irrigated turf and irrigated farmland.

U. Water Credit: the term “water credit” means an entitlement created under the Water Credit and Mitigation Policy of BWD as published on BWD’s website. The purpose of issuing a water credit is to recognize the following of actively irrigated land located in the Borrego Valley Groundwater Basin (BVGB). A water credit may be used in the future to offset the groundwater use of a proposed development. A water credit does not convey, and shall not be construed to convey, water rights, nor is it a guarantee by BWD of the future availability of water from the BVGB. It should be noted that a water credit is not a guarantee that a proposed development, for which a water credit will be used as an offset, can or will be approved by the County. Each water credit shall be equal to one-acre foot of water per year. Water credit calculations that end with .50 to .99 acre-feet shall be rounded up to the next acre-foot, and calculations that end with .01 to .49 acre-feet shall be rounded down to the previous full acre-foot. As further defined in Section 4B below, several classes of credits shall be available pursuant to this Policy.

V. Water Credit Certificate: a document issued by the BWD certifying the issuance to an Applicant of one or more Water Credits in conformance with this Policy.

3. MITIGATION POLICY

Persons or entities seeking to commence an activity within the District that will create a new or increased water demand on the BWD system (“Developers”) must provide one (1) Water Credit for every one (1) EDU demand of the proposed use as calculated by the District’s General Manager, consistent with the provisions hereof. Conformance with the District’s Mitigation Policy must be demonstrated prior to the District providing water service and/or a water meter to the Development proposed by the Developer, or its successor in interest.

4. WATER CREDITS

Upon compliance with the procedural requirements set forth in Section 5. hereof, the District will issue Water Credits to an Applicant in accordance with the following:

A. Easement. The water credits shall be issued in exchange for an easement granted to BWD. The easement shall include the following provisions:

1.. The easement shall permanently and completely eliminate the extraction, use, storage, distribution or diversion of groundwater on the land subject to the easement, except for the following uses:

a.. One-acre foot of groundwater per year to serve a single-family dwelling; or

b. 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. Groundwater use reduction measures that may be used include measures listed in County Code sections 67.720.B.1 and 67.720.B.2 (County Groundwater Ordinance).

2. The easement shall designate County as a third-party beneficiary with the right, but not the obligation to enforce the easement. The easement shall give County the same right of access for purposes of monitoring compliance with the easement and the same options for enforcing the easement as the easement gives to BWD. A copy of the draft easement shall be submitted to the Director of Planning and Development for review and approval.

3. Water Credits AG-2,3 & 4 or T-2 & 3 may be acceptable for District purposes only where County mitigation has already been satisfied. These credits will be issued at the sole discretion of the District and the County does not need to be included as a third-party beneficiary.

B. Eligible Land. Contiguous irrigated land with an associated consumptive water use of ten (10) acre feet per year and meeting the criteria set forth below is eligible to participate in the program established by this Policy. Based upon the type of Water Credit sought (as defined in Section 4.B., below), either (i) all irrigation of the Property shall be eliminated or (ii) the Applicant shall cause permanent, quantifiable and verifiable reductions of water use on the Property as a condition precedent to issuance of Water Credits.

1. Agricultural Land. To be eligible, the Applicant must establish that agricultural land was utilized for legal agricultural operation at the Property prior to April 9, 2003. Property on which agricultural production commenced after April 9, 2003 may be considered eligible if the Applicant establishes that the agricultural use was approved by the DPDS or is otherwise demonstrated to have been legally conducted.

2. Turf. To be eligible, the Applicant must establish that the Property was irrigated with live turf as of January 1, 2008 and as of the date of Application.

3. Tamarisk. To be eligible, the Applicant must establish that tamarisk or other high water use windbreak trees were planted on the Property as of January 1, 2008 and such trees remain alive as of the date of Application.

4. Special. To be eligible, the Applicant must establish that the high water use water activity existed on the Property as of January 1, 2008.

C. Water Credit Types. The following types of Water Credits shall be issued upon compliance with all requirements of this Policy:

1. Agricultural Credits. Four types of Agricultural Credits are available under this Policy upon full compliance with all its requirements. The Applicant shall remove any and all tamarisk trees or other high water use windbreak trees located on Property for which an Applicant seeks Agricultural Credits at the time the agricultural use is fallowed.

(a) Agricultural-1 (“AG-1 Credits - Standing Crop”) AG-1 Credits will be issued for Irrigated Agricultural Land that currently irrigates a live standing crop, agrees to completely remove the crop pursuant to this Policy and further agrees to place a permanent restriction on all forms of irrigation. AG-1 Credits will be issued at a rate of 1.0 x the applicable number of credits designated in Exhibit B of the County MOA.

(b) Agricultural-2 (“AG-2 Credits - Recent Standing Crop”). AG-2 Credits will be issued for Property that is legally entitled to initiate farming within the constraints of existing permits and policies of the DPDS, and/or other regulatory entities with jurisdiction over agricultural activity on the subject Property, but does not currently irrigate a live standing crop. To qualify for AG-2 Credits, the Applicant must:

(i) Establish that as of July 1, 2008, the Property held all necessary approvals to operate an agricultural operation thereon; AND

(ii) Submit an executed Water Credits Agreement to the District within ninety (90) days following adoption of this Policy; AND

(iii) Execute and record with the County Recorder an Exclusive Groundwater Easement (“Easement”) in favor of the District and further complete all actions required pursuant to the Water Credits Agreement within one hundred eighty (180) days of adoption of this Policy. The Easement shall meet the requirements set forth in the most current MOA between BWD and the County of San Diego, including but not limited to designating the County as a third party beneficiary with the right to enforce the easement

(iv) AG-2 Credits will be issued at a rate of 1.0 x the applicable number of credits designated in Exhibit B of the County MOA.

(c) Agricultural-3 (“AG-3 Credits - Crop to Desertscape”). AG-3 Credits will be issued for Irrigated Agricultural Land that is permanently restricted to Desertscape as defined herein. AG-3 Credits will be issued at a rate of 1.0 x the applicable number of credits designated in Exhibit B of the County MOA Eligible projects are required to submit annual water usage reporting, verified with well flow meter records, to the District. Water Credit Certificates for AG-3 Credits will be issued in two phases. A portion of the Water Credit Certificates will issue at the time the Property is converted to Desertscape. The balance of the Water Credit Certificates will issue at the time the Applicant ceases all irrigation on the Property. The District’s General Manager shall determine the apportionment of credits allocated to each such phase.

(d) Agricultural-4 (“AG-4 Credits - Reduced Water Use Crop”). AG-4 Credits will be issued for Irrigated Agricultural Land that is permanently restricted to a lower water use crop type(s). AG-4 Credits will be issued at a rate to be determined by the District’s General Manager based on the Consumptive Use differential between the use existing at the time of the Application and the use to which the Property will be restricted pursuant to this Policy. Eligible properties must provide verified well flow data records for the previous five years and require annual water usage reporting, verified with well flow meter records, submitted to the District.

2. Turf: Three types of Turf credits are available under this Policy upon full compliance with all its terms.

(a) Turf-1 (“T-1 Credits - Turf Removed”). T-1 Credits will be issued for Property that currently irrigates live turf and, pursuant to this Policy, removes all turf and agrees to place a permanent restriction on all forms of irrigation. T-1 Credits will be issued at a rate of 1.0 x the applicable number of credits designated in Exhibit B of the County MOA.

(b) Turf-2 (“T-2 Credits Turf to Desertscape”) T-2 Credits will be issued for Property that is currently irrigated with live turf and, pursuant to this Policy, is permanently restricted to Desertscape as defined herein. Eligible projects are required to submit annual water usage reporting, verified with well flow meter records, to the District. Water Credit Certificates for T-2 Credits will be issued in two phases. A

portion of the Water Credit Certificates will issue at the time the Property is converted to Desertscape. The balance of the Water Credit Certificates will issue at the time the Applicant ceases all irrigation on the Property. The District's General Manager shall determine the apportionment of credits allocated to each such phase.

(c) Turf-3 ("T-3 Credits - Reduced Water Usage Landscape"). T-3 Credits will be issued for Property that is currently irrigated with live turf and, pursuant to this Policy, is permanently restricted to quantifiable and verifiable lower water use landscape than the existing use at the time of the Application for Water Credits. T-3 Credits will be issued at a rate to be determined by the District's General Manager based on the Consumptive Use differential between the use existing at the time of the Application and the use to which the Property will be restricted pursuant to this Policy. Eligible properties must provide verified well flow data records for the previous five years and require annual water usage reporting, verified with well flow meter records, submitted to the District.

3. Tamarisk.

(a) Tamarisk ("TK Credits"). TK Credits will be issued for Property (i) on which live Tamarisk or other high water use windbreaks greater than one (1) foot in diameter are removed and (ii) that is permanently restricted from all forms of irrigation. Tamarisk credits will be addressed on a case-by case basis.

4. Special. Special Credits will be assigned to any quantifiable, verifiable and permanent reduction in water use that is confirmed by historic records and determined by the District's General Manager to meet the standards of this Policy.

D. Number of Credits. The number of water credits issued for all vegetation types shall be based on the water use as determined on the chart attached to the MOA as Exhibit A. The water use shall be calculated based on the vegetation types, vegetation area being actively irrigated and corresponding annual groundwater consumptive use as specified in Exhibit A. The assumptions used to calculate the water offset credits are included in Exhibit B of the MOA.

PROCEDURE

E. The Applicant shall make a written application ("Application") to the District's General Manager for issuance of Water Credit Certificates. The Application shall be as set forth in BWD Form 100 and shall be accompanied by:

1. A title report and/or other documentation reasonably acceptable to the BWD evidencing that the Application has been signed by all record owners of the Property, that the water rights in the Property have not been transferred, conveyed or otherwise encumbered and that the condition of title to the Property is not detrimental to

the achievement of the purposes of this Policy. A property survey by a professional land surveyor may be required at the request of the General Manager.

2. A legal description of the Property in a form reasonably acceptable to the BWD.

3. A Right of Entry Agreement (BWD Form 103) permitting the BWD access to the Property to confirm the ongoing, legal, measurable Water Activity and:

(a) Where any Well(s) serving the Property also serve other property held by the Applicant, which other property the Applicant does not intend to restrict,

(i) Access to any and all Well(s) on the Property and/or serving the Property for monitoring, metering, testing and/or investigating groundwater levels, quality and related matters;

(ii) Access to the Property to confirm the destruction or removal of any crops, turf or other Water Activity on the Property pursuant to this Policy;

(iii) Access to the Property to confirm compliance with the terms and requirements of this Policy; and/or

(iv) Such other provisions as the BWD may reasonably require.

(b) Where the Well(s) serving the Property do not serve any property the Applicant does not intend to restrict,

(i) Access to the Property to install, operate, access and maintain a monitoring well in place of any existing well(s) on the Property;

(ii) Access to the Property to cap, seal or otherwise render inoperable existing well(s) on the Property;

(iii) Access to the Property to confirm the destruction of any crops, turf or other Water Activity on the Property pursuant to this Policy;

(iv) Access to the Property to confirm compliance with the terms and requirements of this Policy; and/or

(v) Such other provisions as the BWD may reasonably require.

4. Submit following plan for ~~vegetation~~ removal. ~~Vegetation~~ must be mulched or removed from Borrego Valley Groundwater basin.

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5. A signed Water Credits Agreement. (BWD Form 101).

6. A certification and administration deposit fee of \$1,000 for each Application by the Developer to be used for verifiable expenses.

F. The BWD shall review the Application and confirm the existence of active, ongoing, legal, measurable Water Activity on the Property. Upon such confirmation, the BWD will issue Conditional Water Credit Certificate(s) setting forth the number of Water Credits to which the Applicant will be entitled upon compliance with this Policy as well as any additional conditions or requirements reasonably imposed by the BWD and identified in the Conditional Water Credit Certificate(s).

G. To convert the Conditional Water Credit Certificates to Water Credit Certificates, the Applicant shall:

(i) Sign and submit to the BWD a Grant of Exclusive Groundwater Easement (BWD Form 102), disengage the pump(s) or otherwise render inoperable any and all well(s) located on the Property, if applicable;

(ii) Complete all crop destruction, turf removal or other action to permanently cease and/or reduce the Water Activity on the Property, as applicable, and notify the BWD in writing of the same;

(iii) Provide a certificate by a licensed land surveyor certifying the net acreage under irrigation on the Property (net acreage shall, for Agricultural land, include roads and exclude buildings);

(iv) Submit Form 104 accompanied with, a notarized written request by the Applicant stating the name(s) in which the Water Credit Certificate(s) should be issued and the amounts allocated to each identified person (not to exceed the aggregate total amount awardable pursuant to Exhibit B of the County MOA. hereof for the Property); and

Upon the BWD's verification of the completion of the permanent cessation of the Water Activity and the pump disengagement or otherwise rendering inoperable any and all well(s) located on the Property (where applicable), the BWD shall issue raised-sealed and numbered Water Credit Certificates to the Applicant in amounts pursuant to Exhibit B of the County MOA. hereof.

2. Transfer of Certificates. Upon (i) notarized written request by the recipient of Water Credit Certificates previously issued by the BWD ("Certificate Holder"), (ii) submission of the original Water Credit Certificates to the BWD, and (iii) payment of an administrative fee of \$500 per transaction, the BWD will re-issue

Water Credit Certificates to such persons or entities and in such amounts (not to exceed the aggregate total amount of the Water Credit Certificates submitted to the BWD by the Certificate Holder) as may be designated by the Certificate Holder. The request must list the actual sale price of the water credit(s) being transferred.

5. MISCELLANEOUS

A. The BWD recognizes all Water Credit types set forth in Section 4.B. in satisfaction of the BWD's Mitigation Policy. The County of San Diego may recognize some or none of the Water Credit types.

B. The BWD may purchase Water Credits for its own account from time to time, as it deems necessary to create a bank of Water Credits for developments that must comply with the provisions of this Policy. The Board of Directors shall set the price of the Water Credits at the time that the Water Credits are sold.

C. The BWD shall be responsible to monitor and enforce this Policy, including, but not limited to, regularly monitoring meters on wells located on Property subject to a Water Credit Agreement, regularly inspecting Property enrolled in the program established by this Policy to ensure compliance with the terms of all requirements to maintain the Water Credits, and providing updates to the County, and/or the District's board as to the status of Water Credits issued to the Developer, as may be required.

President of the Board of Directors of
Borrego Water District

Secretary of the Board of Directors of
Borrego Water District

WATER CREDIT TIMELINE

A. ISSUANCE OF CERTIFICATES

<u>Timeframe</u>	<u>Activity</u>
(1) At Applicant's discretion	Applicant submits Application Package, including: <ul style="list-style-type: none"> • Application (BWD Form 100) • Water Credits Agreement (BWD Form 101) • Right of Entry Agreement (BWD Form 103) • Title report • Administrative fee
(2) 30 days (or more as needed) after (1)	BWD reviews Application Package and confirms active, legal, ongoing, measurable Water Activity and determines whether/what removal or destruction of Water Activity will be required.
(3) Upon Completion of 2	The BWD shall determine the number and type of water credits available if the property is fallowed or, when applicable, shall submit its findings to San Diego County for a determination as to the number of water credits available under the County/BWD MOA. Once the District and/or County has determined the number and type of water credits available, the BWD will issue a Conditional Water Credit Certificate..
(4) Upon Completion of (3)	BWD issues Conditional Water Credit Certificates and notifies Applicant of any special requirements reasonably imposed by BWD and to be met prior to issuance of Water Credit Certificates.

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- Deleted: 2
- Deleted: signs Water Credit Agreement

<u>Timeframe</u>	<u>Activity</u>	
(5) At Applicant's discretion	Applicant signs and submits Grant of Exclusive Groundwater Easement (BWD Form 102) to the BWD. Applicant disengages well(s), as applicable. Applicant removes/destroys Water Activity. Applicant complies with other requirements identified by BWD.	Deleted: 4
(6)	Applicant pays administrator fee.	Deleted: 5
(7) Upon confirmation of actions under (4)	BWD issues Water Credit Certificates to Applicant or Applicant's designee identified in a notarized writing ("Certificate Holder"), accompanied by Form 104.	Deleted: 6

B. TRANSFER OF CERTIFICATES

<u>Timeframe</u>	<u>Activity</u>	
(8) At Certificate Holder's discretion	Certificate Holder submits original Water Credit Certificates along with administrative fee and notarized written request to the BWD to reissue the Water Credit Certificates to such persons and in such amounts (not to exceed the aggregate total amount of the Water Credit Certificates submitted to the BWD by Certificate Holder) as designated by Certificate Holder.	Deleted: 7
(9) 10 days (or more as needed)	BWD verifies prior issuance of Water Credit Certificates to Certificate Holder, voids the same and prepares new Water Credit Certificates per the Certificate Holder's written request.	Deleted: 8

C. REDEMPTION OF CERTIFICATES

Timeframe	Activity	Deleted: 9
(10) At Certificate Holder's discretion and not less than 30 days prior to County issuance of building permits.	Certificate Holder submits original Water Credit Certificates along with written request to the BWD to redeem the Water Credit Certificates as mitigation for the development specified in the Certificate Holder's written request.	Deleted: 9
(11) 10 days (or more as needed)	BWD verifies prior issuance of Water Credit Certificates to Certificate Holder, marks the Water Credit Certificates "REDEEMED," notes the same on the Water Credit Certificate Log and issues a letter to the County identifying the quantity of acre-feet per year redeemed by the Certificate Holder.	Deleted: 0

APPLICATION FOR WATER CREDIT CERTIFICATE
(BWD Form 100)

Borrego Water District
Board of Directors
PO Box 1870
Borrego Springs, CA 92004

ATTENTION: General Manager

Name: _____

Mailing Address: _____

Phone Number: _____

Assessor's Parcel Number: _____ Acreage: _____

Address of Property: _____
(if applicable)

Crop cultivation:

Date Cultivation Commenced (must be prior to 4/9/03)	Water Activity (crop, turf, etc.)	Area	For BWD Use Only Water Entitlement Quantity
1.	2.	3.	4.
5.	6.	7.	8.
9.	10.	11.	12.
13.	14.	15.	16.

Current Water Provider: _____

I declare under penalty of perjury under the laws of the State of California that the foregoing statements are true and correct of my own personal knowledge.

Name of Applicant*/Agent*

Date

Name of Applicant/Agent

Date

* All legal owners of the property must sign

BORREGO WATER DISTRICT

DEMAND OFFSET MITIGATION WATER CREDITS POLICY

(revised –January 30, March 25, 2013, June 26, 2013, 1.22.14, 6.20.14)

1. PURPOSE

Groundwater basin studies by the United States Geological Survey (USGS) demonstrate the need for improved management of the Borrego Valley Groundwater Basin (“BVGB”). The 2013 results of the United States Geological Survey (USGS) BVGB study indicates that the overdraft has continued to grow since the USGS study of the BVGB in 1982 and presently represents a serious economic, social, and environmental threat to the Borrego Valley.

It is the desire of the Borrego Water District (“BWD”, “the District”) to encourage the voluntary immediate cessation and/or reduction of measurable water uses through, but not limited to, a permanent removal of turf and/or a permanent fallowing of Irrigated Agricultural Land (“Water Activity”) as one means to mitigate the current overdraft of the BVGB.

The objectives of this Policy include, but are not limited to, the following: (a) to reduce the demand on the upper groundwater aquifer that underlies the Borrego Valley; (b) to provide a mechanism by which new water demands are mitigated in compliance with the California Environmental Quality Act (“CEQA”); and (c) to create economic incentives for property owners engaged in high water demand activities to cease or reduce their groundwater demands consistent with the objectives of the BWD Groundwater Management Plan (GMP) as adopted by the District in 2001, and as subsequently amended and updated.

New groundwater demands shall conform with the Groundwater Mitigation Ordinance of the San Diego County Department of Planning and Development Services (“the County”) as revised from time to time and the most current Memorandum of Agreement (“MOA”) between BWD and the County Regarding Water Credits dated January 30, 2013.

Finally, this Policy establishes the administrative and technical procedures by which Water Credits are issued by the District, and provides for the ongoing administrative functions for controlling, monitoring and enforcing this Policy. Projects located out of the District boundary or not making application for water service from the District are not subject to this policy.

2. DEFINITIONS

A. AFY: acre-feet of water use per year

B. Applicant: the owner of real property who applies for more than one Water Credit pursuant to this Policy.

- C. Application: the document by which an Applicant applies for more than one Water Credit pursuant to this Policy.
- D. BVGB: Borrego Valley Groundwater Basin
- E. BWD or District: the Borrego Water District.
- F. Certificate Holder: Rightful owner of the BWD issued valid Water Credit.
- G. CEQA: California Environmental Quality Act.
- H. Conditional Water Credit Certificate: a document issued by the BWD identifying the number of Water Credits an Applicant will receive upon compliance with any and all conditions set forth therein and/or in this Policy, which certificate shall remain valid so long as this Policy remains in effect.
- I. Consumptive Use: the amount of water lost from the groundwater resource due to evapotranspiration (plant use).
- J. County: the government of San Diego County.
- K. Desertscape: Landscape requiring no irrigation of any kind after an initial period not to exceed two (2) years of watering to establish any planting(s).
- L. Developers and/or their Successors in Interest: Persons or entities seeking to commence an activity within the boundaries of the BWD that will create new or increased water demand on the BWD system, including, but not limited to, new residential or commercial development and/or expansion of existing uses/developments (“Development”).
- M. PDS: San Diego County Department of Planning and Development Services.
- N. Easement: a legal restriction on the land to be fallowed that completely eliminates the extraction, use, storage, distribution or diversion of groundwater on the land subject to the easement in perpetuity, unless the project meets the exemptions of section 4A.
- O. EDU or Equivalent Dwelling Unit: As of the adoption of this Policy, one EDU equals 1.0 acre foot per year (AFY) and may be recalculated by the District Manager upon direction of the Board of Directors.
- P. Irrigated Agricultural Land: Land that is currently irrigated for active agricultural use. For purposes of this Policy, “currently irrigated” shall mean irrigated for agricultural use during the preceding twelve (12) month period -immediately preceding the date of the Application.

Q. Mitigation Policy: The BWD policy regarding mitigation of impacts of new developments on the Borrego aquifer adopted June 22, 2005 and thereafter amended and further amended and restated in Section 3 hereof.

R. MOA: Memorandum of Agreement between the Borrego Water District and the County of San Diego Regarding Water Credits dated January 30, 2013, as amended.

S. Property: the real property owned by the Applicant and to be restricted pursuant to this Policy.

T. Water Activity: one or more measurable water uses, including, but not limited to, irrigated turf and irrigated farmland.

U. Water Credit: the term “water credit” means an entitlement created under the Water Credit and Mitigation Policy of BWD as published on BWD’s website. The purpose of issuing a water credit is to recognize the fallowing of actively irrigated land located in the Borrego Valley Groundwater Basin (BVGB). A water credit may be used in the future to offset the groundwater use of a proposed development. A water credit does not convey, and shall not be construed to convey, water rights, nor is it a guarantee by BWD of the future availability of water from the BVGB. It should be noted that a water credit is not a guarantee that a proposed development, for which a water credit will be used as an offset, can or will be approved by the County. Each water credit shall be equal to one-acre foot of water per year. Water credit calculations that end with .50 to .99 acre-feet shall be rounded up to the next acre-foot, and calculations that end with .01 to .49 acre-feet shall be rounded down to the previous full acre-foot. As further defined in Section 4B below, several classes of credits shall be available pursuant to this Policy.

V. Water Credit Certificate: a document issued by the BWD certifying the issuance to an Applicant of one or more Water Credits in conformance with this Policy.

3. MITIGATION POLICY

Persons or entities seeking to commence an activity within the District that will create a new or increased water demand on the BWD system (“Developers”) must provide one (1) Water Credit for every one (1) EDU demand of the proposed use as calculated by the District’s General Manager, consistent with the provisions hereof. Conformance with the District’s Mitigation Policy must be demonstrated prior to the District providing water service and/or a water meter to the Development proposed by the Developer, or its successor in interest.

4. WATER CREDITS

Upon compliance with the procedural requirements set forth in Section 5. hereof, the District will issue Water Credits to an Applicant in accordance with the following:

A. Easement. The water credits shall be issued in exchange for an easement granted to BWD. The easement shall include the following provisions:

1.. The easement shall permanently and completely eliminate the extraction, use, storage, distribution or diversion of groundwater on the land subject to the easement, except for the following uses:

a.. One-acre foot of groundwater per year to serve a single-family dwelling; or

b. 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. Groundwater use reduction measures that may be used include measures listed in County Code sections 67.720.B.1 and 67.720.B.2 (County Groundwater Ordinance).

2. The easement shall designate County as a third-party beneficiary with the right, but not the obligation to enforce the easement. The easement shall give County the same right of access for purposes of monitoring compliance with the easement and the same options for enforcing the easement as the easement gives to BWD. A copy of the draft easement shall be submitted to the Director of Planning and Development for review and approval.

3. Water Credits AG-2,3 & 4 or T-2 & 3 may be acceptable for District purposes only where County mitigation has already been satisfied. These credits will be issued at the sole discretion of the District and the County does not need to be included as a third-party beneficiary.

B. Eligible Land. Contiguous irrigated land with an associated consumptive water use of ten (10) acre feet per year and meeting the criteria set forth below is eligible to participate in the program established by this Policy. Based upon the type of Water Credit sought (as defined in Section 4.B., below), either (i) all irrigation of the Property shall be eliminated or (ii) the Applicant shall cause permanent, quantifiable and verifiable reductions of water use on the Property as a condition precedent to issuance of Water Credits.

1. Agricultural Land. To be eligible, the Applicant must establish that agricultural land was utilized for legal agricultural operation at the Property prior to April 9, 2003. Property on which agricultural production commenced after April 9, 2003 may be considered eligible if the Applicant establishes that the agricultural use was approved by the DPDS or is otherwise demonstrated to have been legally conducted.

2. Turf. To be eligible, the Applicant must establish that the Property was irrigated with live turf as of January 1, 2008 and as of the date of Application.

3. Tamarisk. To be eligible, the Applicant must establish that tamarisk or other high water use windbreak trees were planted on the Property as of January 1, 2008 and such trees remain alive as of the date of Application.

4. Special. To be eligible, the Applicant must establish that the high water use water activity existed on the Property as of January 1, 2008.

C. Water Credit Types. The following types of Water Credits shall be issued upon compliance with all requirements of this Policy:

1. Agricultural Credits. Four types of Agricultural Credits are available under this Policy upon full compliance with all its requirements. The Applicant shall remove any and all tamarisk trees or other high water use windbreak trees located on Property for which an Applicant seeks Agricultural Credits at the time the agricultural use is fallowed.

(a) Agricultural-1 (“AG-1 Credits - Standing Crop”) AG-1 Credits will be issued for Irrigated Agricultural Land that currently irrigates a live standing crop, agrees to completely remove the crop pursuant to this Policy and further agrees to place a permanent restriction on all forms of irrigation. AG-1 Credits will be issued at a rate of 1.0 x the applicable number of credits designated in Exhibit B of the County MOA.

(b) Agricultural-2 (“AG-2 Credits - Recent Standing Crop”). AG-2 Credits will be issued for Property that is legally entitled to initiate farming within the constraints of existing permits and policies of the DPDS, and/or other regulatory entities with jurisdiction over agricultural activity on the subject Property, but does not currently irrigate a live standing crop. To qualify for AG-2 Credits, the Applicant must:

(i) Establish that as of July 1, 2008, the Property held all necessary approvals to operate an agricultural operation thereon; AND

(ii) Submit an executed Water Credits Agreement to the District within ninety (90) days following adoption of this Policy; AND

(iii) Execute and record with the County Recorder an Exclusive Groundwater Easement (“Easement”) in favor of the District and further complete all actions required pursuant to the Water Credits Agreement within one hundred eighty (180) days of adoption of this Policy. The Easement shall meet the requirements set forth in the most current MOA between BWD and the County of San Diego, including but not limited to designating the County as a third party beneficiary with the right to enforce the easement

(iv) AG-2 Credits will be issued at a rate of 1.0 x the applicable number of credits designated in Exhibit B of the County MOA.

(c) Agricultural-3 (“AG-3 Credits - Crop to Desertscape”). AG-3 Credits will be issued for Irrigated Agricultural Land that is permanently restricted to Desertscape as defined herein. AG-3 Credits will be issued at a rate of 1.0 x the applicable number of credits designated in Exhibit B of the County MOA. Eligible projects are required to submit annual water usage reporting, verified with well flow meter records, to the District. Water Credit Certificates for AG-3 Credits will be issued in two phases. A portion of the Water Credit Certificates will issue at the time the Property is converted to Desertscape. The balance of the Water Credit Certificates will issue at the time the Applicant ceases all irrigation on the Property. The District’s General Manager shall determine the apportionment of credits allocated to each such phase.

(d) Agricultural-4 (“AG-4 Credits - Reduced Water Use Crop”). AG-4 Credits will be issued for Irrigated Agricultural Land that is permanently restricted to a lower water use crop type(s). AG-4 Credits will be issued at a rate to be determined by the District’s General Manager based on the Consumptive Use differential between the use existing at the time of the Application and the use to which the Property will be restricted pursuant to this Policy. Eligible properties must provide verified well flow data records for the previous five years and require annual water usage reporting, verified with well flow meter records, submitted to the District.

2. Turf. Three types of Turf credits are available under this Policy upon full compliance with all its terms.

(a) Turf-1 (“T-1 Credits - Turf Removed”). T-1 Credits will be issued for Property that currently irrigates live turf and, pursuant to this Policy, removes all turf and agrees to place a permanent restriction on all forms of irrigation. T-1 Credits will be issued at a rate of 1.0 x the applicable number of credits designated in Exhibit B of the County MOA.

(b) Turf-2 (“T-2 Credits Turf to Desertscape”) T-2 Credits will be issued for Property that is currently irrigated with live turf and, pursuant to this Policy, is permanently restricted to Desertscape as defined herein. Eligible projects are required to submit annual water usage reporting, verified with well flow meter records, to the District. Water Credit Certificates for T-2 Credits will be issued in two phases. A

portion of the Water Credit Certificates will issue at the time the Property is converted to Desertscape. The balance of the Water Credit Certificates will issue at the time the Applicant ceases all irrigation on the Property. The District's General Manager shall determine the apportionment of credits allocated to each such phase.

(c) Turf-3 ("T-3 Credits - Reduced Water Usage Landscape"). T-3 Credits will be issued for Property that is currently irrigated with live turf and, pursuant to this Policy, is permanently restricted to quantifiable and verifiable lower water use landscape than the existing use at the time of the Application for Water Credits. T-3 Credits will be issued at a rate to be determined by the District's General Manager based on the Consumptive Use differential between the use existing at the time of the Application and the use to which the Property will be restricted pursuant to this Policy. . Eligible properties must provide verified well flow data records for the previous five years and require annual water usage reporting, verified with well flow meter records, submitted to the District.

3. Tamarisk.

(a) Tamarisk ("TK Credits"). TK Credits will be issued for Property (i) on which live Tamarisk or other high water use windbreaks greater than one (1) foot in diameter are removed and (ii) that is permanently restricted from all forms of irrigation. Tamarisk credits will be addressed on a case-by case basis.

4. Special. Special Credits will be assigned to any quantifiable, verifiable and permanent reduction in water use that is confirmed by historic records and determined by the District 's General Manager to meet the standards of this Policy.

D. Number of Credits. The number of water credits issued for all vegetation types shall be based on the water use as determined on the chart attached to the MOA as Exhibit A. The water use shall be calculated based on the vegetation types, vegetation area being actively irrigated and corresponding annual groundwater consumptive use as specified in Exhibit A. The assumptions used to calculate the water offset credits are included in Exhibit B of the MOA.

PROCEDURE

E. The Applicant shall make a written application ("Application") to the District's General Manager for issuance of Water Credit Certificates. The Application shall be as set forth in BWD Form 100 and shall be accompanied by:

1. A title report and/or other documentation reasonably acceptable to the BWD evidencing that the Application has been signed by all record owners of the Property, that the water rights in the Property have not been transferred, conveyed or otherwise encumbered and that the condition of title to the Property is not detrimental to

the achievement of the purposes of this Policy. A property survey by a professional land surveyor may be required at the request of the General Manager.

2. A legal description of the Property in a form reasonably acceptable to the BWD.

3. A Right of Entry Agreement (BWD Form 103) permitting the BWD access to the Property to confirm the ongoing, legal, measurable Water Activity and:

(a) Where any Well(s) serving the Property also serve other property held by the Applicant, which other property the Applicant does not intend to restrict,

(i) Access to any and all Well(s) on the Property and/or serving the Property for monitoring, metering, testing and/or investigating groundwater levels, quality and related matters;

(ii) Access to the Property to confirm the destruction or removal of any crops, turf or other Water Activity on the Property pursuant to this Policy;

(iii) Access to the Property to confirm compliance with the terms and requirements of this Policy; and/or

(iv) Such other provisions as the BWD may reasonably require.

(b) Where the Well(s) serving the Property do not serve any property the Applicant does not intend to restrict,

(i) Access to the Property to install, operate, access and maintain a monitoring well in place of any existing well(s) on the Property;

(ii) Access to the Property to cap, seal or otherwise render inoperable existing well(s) on the Property;

(iii) Access to the Property to confirm the destruction of any crops, turf or other Water Activity on the Property pursuant to this Policy;

(iv) Access to the Property to confirm compliance with the terms and requirements of this Policy; and/or

(v) Such other provisions as the BWD may reasonably require.

4. Submit following plan for vegetation removal. Vegetation must be mulched or removed from Borrego Valley Groundwater basin.

5. A signed Water Credits Agreement. (BWD Form 101).

6. A certification and administration deposit fee of \$1,000 for each Application by the Developer to be used for verifiable expenses.

F. The BWD shall review the Application and confirm the existence of active, ongoing, legal, measurable Water Activity on the Property. Upon such confirmation, the BWD will issue Conditional Water Credit Certificate(s) setting forth the number of Water Credits to which the Applicant will be entitled upon compliance with this Policy as well as any additional conditions or requirements reasonably imposed by the BWD and identified in the Conditional Water Credit Certificate(s).

G. To convert the Conditional Water Credit Certificates to Water Credit Certificates, the Applicant shall:

(i) Sign and submit to the BWD a Grant of Exclusive Groundwater Easement (BWD Form 102), disengage the pump(s) or otherwise render inoperable any and all well(s) located on the Property, if applicable;

(ii) Complete all crop destruction, turf removal or other action to permanently cease and/or reduce the Water Activity on the Property, as applicable, and notify the BWD in writing of the same;

(iii) Provide a certificate by a licensed land surveyor certifying the net acreage under irrigation on the Property (net acreage shall, for Agricultural land, include roads and exclude buildings);

(iv) Submit Form 104 accompanied with, a notarized written request by the Applicant stating the name(s) in which the Water Credit Certificate(s) should be issued and the amounts allocated to each identified person (not to exceed the aggregate total amount awardable pursuant to Exhibit B of the County MOA. hereof for the Property); and

Upon the BWD's verification of the completion of the permanent cessation of the Water Activity and the pump disengagement or otherwise rendering inoperable any and all well(s) located on the Property (where applicable), the BWD shall issue raised-sealed and numbered Water Credit Certificates to the Applicant in amounts pursuant to Exhibit B of the County MOA. hereof.

2. Transfer of Certificates. Upon (i) notarized written request by the recipient of Water Credit Certificates previously issued by the BWD ("Certificate Holder"), (ii) submission of the original Water Credit Certificates to the BWD, and (iii) payment of an administrative fee of \$500 per transaction, the BWD will re-issue

Water Credit Certificates to such persons or entities and in such amounts (not to exceed the aggregate total amount of the Water Credit Certificates submitted to the BWD by the Certificate Holder) as may be designated by the Certificate Holder. The request must list the actual sale price of the water credit(s) being transferred.

5. MISCELLANEOUS

A. The BWD recognizes all Water Credit types set forth in Section 4.B. in satisfaction of the BWD's Mitigation Policy. The County of San Diego may recognize some or none of the Water Credit types.

B. The BWD may purchase Water Credits for its own account from time to time, as it deems necessary to create a bank of Water Credits for developments that must comply with the provisions of this Policy. The Board of Directors shall set the price of the Water Credits at the time that the Water Credits are sold.

C. The BWD shall be responsible to monitor and enforce this Policy, including, but not limited to, regularly monitoring meters on wells located on Property subject to a Water Credit Agreement, regularly inspecting Property enrolled in the program established by this Policy to ensure compliance with the terms of all requirements to maintain the Water Credits, and providing updates to the County, and/or the District's board as to the status of Water Credits issued to the Developer, as may be required.

President of the Board of Directors of
Borrego Water District

Secretary of the Board of Directors of
Borrego Water District

WATER CREDIT TIMELINE

A. ISSUANCE OF CERTIFICATES

<u>Timeframe</u>	<u>Activity</u>
(1) At Applicant's discretion	Applicant submits Application Package, including: <ul style="list-style-type: none">• Application (BWD Form 100)• Water Credits Agreement (BWD Form 101)• Right of Entry Agreement (BWD Form 103)• Title report• Administrative fee
(2) 30 days (or more as needed) after (1)	BWD reviews Application Package and confirms active, legal, ongoing, measurable Water Activity and determines whether/what removal or destruction of Water Activity will be required.
(3) Upon Completion of 2	The BWD shall determine the number and type of water credits available if the property is fallowed or, when applicable, shall submit its findings to San Diego County for a determination as to the number of water credits available under the County/BWD MOA. Once the District and/or County has determined the number and type of water credits available, the BWD will issue a Conditional Water Credit Certificate..
(4) Upon Completion of (3)	BWD, issues Conditional Water Credit Certificates and notifies Applicant of any special requirements reasonably imposed by BWD and to be met prior to issuance of Water Credit Certificates.

	<u>Timeframe</u>	<u>Activity</u>
(5)	At Applicant's discretion	<p>Applicant signs and submits Grant of Exclusive Groundwater Easement (BWD Form 102) to the BWD.</p> <p>Applicant disengages well(s), as applicable.</p> <p>Applicant removes/destroys Water Activity.</p> <p>Applicant complies with other requirements identified by BWD.</p>
(6)		Applicant pays administrator fee.
(7)	Upon confirmation of actions under (4)	BWD issues Water Credit Certificates to Applicant or Applicant's designee identified in a notarized writing ("Certificate Holder"), accompanied by Form 104.

B. TRANSFER OF CERTIFICATES

	<u>Timeframe</u>	<u>Activity</u>
(8)	At Certificate Holder's discretion	Certificate Holder submits original Water Credit Certificates along with administrative fee and notarized written request to the BWD to reissue the Water Credit Certificates to such persons and in such amounts (not to exceed the aggregate total amount of the Water Credit Certificates submitted to the BWD by Certificate Holder) as designated by Certificate Holder.
(9)	10 days (or more as needed)	BWD verifies prior issuance of Water Credit Certificates to Certificate Holder, voids the same and prepares new Water Credit Certificates per the Certificate Holder's written request.

C. REDEMPTION OF CERTIFICATES

<u>Timeframe</u>	<u>Activity</u>
(10) At Certificate Holder's discretion and not less than 30 days prior to County issuance of building permits.	Certificate Holder submits original Water Credit Certificates along with written request to the BWD to redeem the Water Credit Certificates as mitigation for the development specified in the Certificate Holder's written request.
(11) 10 days (or more as needed)	BWD verifies prior issuance of Water Credit Certificates to Certificate Holder, marks the Water Credit Certificates "REDEEMED," notes the same on the Water Credit Certificate Log and issues a letter to the County identifying the quantity of acre-feet per year redeemed by the Certificate Holder.

APPLICATION FOR WATER CREDIT CERTIFICATE
(BWD Form 100)

Borrego Water District
Board of Directors
PO Box 1870
Borrego Springs, CA 92004

ATTENTION: General Manager

Name: _____

Mailing Address: _____

Phone Number: _____

Assessor's Parcel Number: _____ Acreage: _____

Address of Property: _____
(if applicable)

Crop cultivation:

Date Cultivation Commenced (must be prior to 4/9/03)	Water Activity (crop, turf, etc.)	Area	For BWD Use Only Water Entitlement Quantity
1.	2.	3.	4.
5.	6.	7.	8.
9.	10.	11.	12.
13.	14.	15.	16.

Current Water Provider: _____

I declare under penalty of perjury under the laws of the State of California that the foregoing statements are true and correct of my own personal knowledge.

Name of Applicant*/Agent*

Date

Name of Applicant/Agent

Date

* All legal owners of the property must sign

WATER RIGHTS AGREEMENT
(BWD Form 101)

THIS WATER RIGHTS AGREEMENT (the "Agreement") is entered into as of _____, 20__, by and between _____ (the "Owner"), and **BORREGO WATER DISTRICT**, a public corporation organized and existing under Division 13 of the Water Code of the State of California (the "District"), for acquisition by the District of the Groundwater Easement described below.

RECITALS

A. 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 District.

B. Owner is the owner of certain real property situated within the jurisdictional boundaries of the District, which property is legally described in the Legal Description attached hereto as Exhibit "A" and incorporated herein (the "Property").

C. The Property owned by the Owner may overlay the Borrego Valley Aquifer (the "Aquifer") as described in the Borrego Water District Groundwater Management Study on file in the office of the District and thus have certain rights to the groundwater or percolating water underlying said Property (the "Groundwater").

D. Owner has, since _____ (date), maintained _____
(Water Activity, e.g. 10 acre citrus farm, 300,000 square feet of turf, etc). on the Property.

E. The District has a beneficial interest in the prevention and cessation of extraction of Groundwater from the Property.

F. In consideration of the District granting to the Owner water credits (~~the~~ "Water Credits") toward Owner's future compliance with the District's New Development Groundwater Preservation Policy as the same may be amended from time to time ("~~District Mitigation~~New Development Policy"), the Owner desires to grant to the District an exclusive easement to prevent and forever cease all extraction, diversion and/or use of the Groundwater as defined in the District's Demand Offset Mitigation Water Credit Policy, adopted September 2009, and as amended from time to time (the "Water Credit Policy") and its Memorandum of Agreement Regarding Water Credit with the County of San Diego (the "MOA") -to which Owner is entitled, whether or not the Property overlies the Aquifer and whether or not the groundwater is extracted from under the Property.

G. The terms of this Agreement become binding upon all parties upon the execution of a Grant of Exclusive Groundwater Easement (BWD Form 102) and after the number and type of Water Credits has been determined under the Water Credit Policy and/or the MOA.

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

1. **Grant of Groundwater Easement.** Owner hereby acknowledges its intent agrees to grant to the District an exclusive easement to cease and prevent any and all extraction, diversion, use and/or distribution of Groundwater from or on the Property in the form of the Groundwater Easement (the “Groundwater Easement”) which easement is identified as BWD Form 102 and incorporated herein by this reference.

A. By this Agreement, the Owner intends, through a fully executed Grant of Exclusive Groundwater Easement, to maintain a binding and permanent arrangement whereby the extraction, diversion, storage, distribution and/or use of any and all Groundwater from or on the Property shall cease. It is further the intention of the Owner that the Exclusive Groundwater Easement ~~easement granted by this section shall~~ be exclusive to the District and that upon the execution and delivery of the Exclusive Groundwater Easement ~~that~~ the Owner shall refrain, in perpetuity, from extracting, diverting, using, storing and/or distributing the Groundwater; Owner shall further refrain from transferring or assigning to others any interest in or right to the Groundwater.

B. When Property is being converted to a desert landscape as defined in the Water Credits Policy, rather than completely fallowed, In consideration of the Owner’s desire to establish desert landscape on the Property, the restrictions described in Section 1(A) of this Agreement shall become effective twenty four (24) months after recordation of the Exclusive Groundwater Easement, and the grant of Water Credit Certificates described in Section 2 of this Agreement shall likewise occur twenty four (24) months after recordation of the Exclusive Groundwater Easement. For the provisions of this Section 1(B) to be effective, signature of the District must be affixed immediately below this paragraph.

DISTRICT

2. **Grant of Water Credit Certificates.** Upon Owner’s (i) delivery of the Exclusive Groundwater Easement to the District, (ii) full compliance with the District’s Water Credit and Mitigation Policy, including, without limitation, rendering wells inoperable, removing turf and/or destroying crops, as applicable, and (iii) completing ~~{special requirements, if applicable}~~, the District agrees to grant to the Owner raised-sealed and numbered certificate(s) (“Water Credit Certificate(s)”) of Water Credits in the amount calculated as set forth in Exhibit B of the MOA. the District’s Schedule of Water Consumption (“Water Credit Certificate”). Subject to the provisions in Section 5, the certificates may be applied by the Owner toward future compliance with the ~~District Mitigation~~New Development Policy as each of the same may be amended from time to time. The Water Credit Certificates to be granted pursuant to this Section 2 shall never expire, shall be held by the Owner in gross and may be transferred and/or assigned in accordance with the ~~District’s Water Credit and Mitigation New Development~~ Policy. Execution and delivery of the Exclusive Groundwater Easement by the Owner to the District and full compliance with the District’s Water Credit Policy and Mitigation-New Development Policy and, if applicable, or the County’s MOA are expressly made conditions precedent to the District’s obligation to grant the Water Credit Certificates provided by this Section 2.

3. Warranties, Representations, and Covenants of Owner. Owner hereby warrants, represents, and/or covenants to the District that:

3.1 Pending Claims. To the best of Owner's knowledge, there are no actions, suits, claims, legal proceedings, or any other proceedings affecting the Groundwater or the Property or any portion thereof, at law, or in equity before any court or governmental agency, domestic or foreign.

3.2 Owner's Title. Owner warrants that Owner owns the Property and Groundwater, free and clear of all water sharing agreements, well sharing agreements, liens, licenses, claims, encumbrances, easements, encroachments on the Property from adjacent properties, encroachments by improvements on the Property onto adjacent properties, and rights-of-way of any nature, not disclosed by the documents recorded in the County Recorder's Office for the Property. Until the recordation of the Exclusive Groundwater Easement, the Owner shall not do anything which would impair the Owner's title to the Groundwater or the Property.

3.3 Conflict with Other Obligation. Neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions and restrictions, well sharing agreement or other agreement or instrument to which Owner or the Property may be bound.

3.4 Change of Situation. Until the recordation of the Exclusive Groundwater Easement, Owner shall, upon learning of any fact or condition which would cause any of the warranties and representations in this section not to be true as of the recordation of the Groundwater Easement, immediately give written notice of such fact or condition to the District.

3.5 Authority. Owner is the owner of the Property (including the rights to the Groundwater) and has the full right, power, and authority to grant the Exclusive Groundwater Easement to the District as provided herein and to carry out Owner's obligations hereunder.

3.6 Bankruptcy. Neither Owner nor any related entity is the subject of a bankruptcy proceeding, and permission of a bankruptcy court is not necessary for the Owner to be able to grant the Exclusive Groundwater Easement as provided herein.

3.7 Governmental Compliance. Owner has not received any notice from any governmental agency or authority alleging that the Groundwater or the Property is currently in violation of any law, ordinance, rule, regulation or requirement applicable to its use and operation. If any such notice or notices are received by the Owner following the date this Agreement is signed by the Owner, the Owner shall, within 10 days of receipt of such notice notify the District. At his/her option, the Owner may then elect to perform the work or take the necessary corrective action prior to granting the Exclusive Groundwater Easement or refuse to do so, in which case Owner shall notify the District of such refusal. The District may accept the Exclusive Groundwater Easement with knowledge of such notice(s). However, if either the District decides not to accept the Exclusive Groundwater Easement due to the notice(s), this Agreement shall terminate.

4. No Guarantee of Value. The District makes no guarantee or representations, express or implied, that the Water Credit Certificates (i) have or in the future will have any monetary or other value and/or (ii) are or will in the future be accepted by the County of San Diego as compliance with its groundwater policy as the same may be amended from time to time. Owner

expressly acknowledges that the Water Credit Certificates may presently or in the future be rendered valueless, and District has made no representation that the Water Credit Certificates have or will have any value. District shall not be liable for any absence or loss of value that may occur. Owner understands and accepts the entire risk regarding the value, if any, of the Water Credit Certificates and accepts the entire risk that the Water Credit Certificates may presently or in the future be rendered

5. **Contingency.** The completion of this transaction is contingent upon the specific acceptance and approval of the District herein.

6. **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 Owner:

Attention: _____

If to District:

Borrego Water District
806 Palm Canyon Drive
Borrego Springs, CA 92004
Attention: General Manager

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 48 hours after mailing as provided above.

7. **Default.** Failure or delay by a party to perform any covenant, condition or provision of this Agreement within a reasonable time constitutes default under this Agreement. The injured party shall give written notice of default to the party in default, specifying the default complained of. The defaulting party shall immediately commence to cure such default and shall diligently complete such cure within 30 days from the date of the notice or such longer period if the nature of the default is such that more than 30 days is required to cure such default. The injured party shall have the right to terminate this Agreement by written notice to the other party in the event of a default which is not cured within the time set forth herein.

8. **Gender and Number.** In this Agreement (unless the context requires otherwise), the masculine, feminine and neuter genders and the singular and the plural shall be deemed to include one another, as appropriate.

9. **Entire Agreement.** This Agreement, its exhibits and the related Exclusive Groundwater Easement referenced in paragraph 1 above 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. Captions. The captions used herein are for convenience only and are not a part of this Agreement and do not in any way limit or amplify the terms and provisions hereof.

11. Governing Law. This Agreement and the exhibits attached hereto have been negotiated and executed in the State of California and shall be governed by and construed under the laws of the State of California. The venue for any legal action regarding this Agreement shall be the Superior Court of the County of San Diego.

12. Invalidity of Provision. If any provision of this Agreement as applied to any party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

13. Amendments. No addition to or modification of any provision contained in this Agreement shall be effective unless fully set forth in writing by the Owner and the District.

14. Counterparts. This 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.

15. Time of Essence. Time is of the essence of each provision of this Agreement

16. Binding Upon Successors. The terms and conditions, covenants, and agreements set forth herein shall apply to and bind the heirs, executors, administrators, assigns and successors of the parties hereto.

17. LIQUIDATED DAMAGES. GRANTOR ACKNOWLEDGES THAT GRANTEE IS ENTERING INTO THIS AGREEMENT FOR THE EXPRESS AND EXCLUSIVE PURPOSE OF GROUNDWATER PRESERVATION. IF GRANTOR COMMENCES OR RE-COMMENCES ANY ACTIVITY ON THE PROPERTY IN VIOLATION OF THIS AGREEMENT, THE GRANTOR SHALL PAY TO GRANTEE AS LIQUIDATED DAMAGES, AND NOT AS A PENALTY, THE AMOUNT OF \$200 PER OCCURRENCE. FOR PURPOSES OF THIS SECTION 171, EACH DAY THAT GRANTOR COMMENCES OR RE-COMMENCES ANY ACTIVITY ON THE PROPERTY IN VIOLATION OF THIS AGREEMENT SHALL CONSTITUTE A SEPARATE OCCURRENCE. EACH DAY THAT SELLER PLACES IN SERVICE, OPERATES AND/OR UTILIZES ANY WELL ON THE PROPERTY SHALL CONSTITUTE A VIOLATION OF THIS AGREEMENT AND SHALL FURTHER CONSTITUTE A SEPARATE OCCURRENCE FOR PURPOSES OF THIS SECTION 171.

THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE LIQUIDATED DAMAGES PROVISION CONTAINED IN THIS SECTION 171 AND AGREE TO BE BOUND BY ITS TERMS. FURTHER, THE PARTIES HERETO ACKNOWLEDGE THAT THE GRANTEE IS ENTERING INTO THIS

AGREEMENT FOR THE SPECIFIC PURPOSE OF PRESERVING GROUNDWATER AND THAT THE LIQUIDATED DAMAGES AMOUNT SPECIFIED IN THIS SECTION 171 IS A REASONABLE ESTIMATE, UNDER THE CIRCUMSTANCES EXISTING ON THE DATE OF EXECUTION OF THIS AGREEMENT, OF WHAT GRANTEE'S DAMAGES WOULD BE IN THE EVENT OF A DEFAULT BY GRANTOR.

GRANTOR'S INITIALS: _____
DISTRICT'S INITIALS: _____

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year set forth herein above.

OWNER:

By: _____

By: _____

OWNER:

By: _____

By: _____

DISTRICT:

BORREGO WATER DISTRICT, a public corporation

By: _____
General Manager

ATTEST:

District Secretary

APPROVED AS TO FORM:

District General Counsel

EXHIBIT "A"

LEGAL DESCRIPTION

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

WATER CREDITS AGREEMENT
(BWD Form 101)

THIS WATER RIGHTS AGREEMENT (the "Agreement") is entered into as of _____, 20__, by and between _____ (the "Owner"), and **BORREGO WATER DISTRICT**, a public corporation organized and existing under Division 13 of the Water Code of the State of California (the "District"), for acquisition by the District of the Groundwater Easement described below.

RECITALS

A. 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 District.

B. Owner is the owner of certain real property situated within the jurisdictional boundaries of the District, which property is legally described in the Legal Description attached hereto as Exhibit "A" and incorporated herein (the "Property").

C. The Property owned by the Owner may overlay the Borrego Valley Aquifer (the "Aquifer") as described in the Borrego Water District Groundwater Management Study on file in the office of the District and thus have certain rights to the groundwater or percolating water underlying said Property (the "Groundwater").

D. Owner has, since _____ (date), maintained _____
(Water Activity, e.g. 10 acre citrus farm, 300,000 square feet of turf, etc). on the Property.

E. The District has a beneficial interest in the prevention and cessation of extraction of Groundwater from the Property.

F. In consideration of the District granting to the Owner water credits ("Water Credits") toward Owner's future compliance with the District's Policy for Water and Sewer Service to New Development Policy as the same may be amended from time to time ("New Development Policy"), the Owner desires to grant to the District an exclusive easement to prevent and forever cease all extraction, diversion and/or use of the Groundwater as defined in the District's Demand Offset Mitigation Water Credit Policy, adopted September 2009, and as amended from time to time (the "Water Credit Policy") and its Memorandum of Agreement Regarding Water Credit with the County of San Diego (the "MOA") to which Owner is entitled, whether or not the Property overlies the Aquifer and whether or not the groundwater is extracted from under the Property.

G. The terms of this Agreement become binding upon all parties upon the execution of a Grant of Exclusive Groundwater Easement (BWD Form 102) and after the number and type of Water Credits has been determined under the Water Credit Policy and/or the MOA.

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

1. Grant of Groundwater Easement. Owner hereby acknowledges its intent to grant to the District an exclusive easement to cease and prevent any and all extraction, diversion, use and/or distribution of Groundwater from or on the Property in the form of the Groundwater Easement (the “Groundwater Easement”) which easement is identified as BWD Form 102 and incorporated herein by this reference.

A. By this Agreement, the Owner intends, through a fully executed Grant of Exclusive Groundwater Easement, to maintain a binding and permanent arrangement whereby the extraction, diversion, storage, distribution and/or use of any and all Groundwater from or on the Property shall cease. It is further the intention of the Owner that the Exclusive Groundwater Easement shall be exclusive to the District and that upon the execution and delivery of the Exclusive Groundwater Easement the Owner shall refrain, in perpetuity, from extracting, diverting, using, storing and/or distributing the Groundwater; Owner shall further refrain from transferring or assigning to others any interest in or right to the Groundwater.

B. When Property is being converted to a desert landscape as defined in the Water Credit Policy, rather than completely fallowed, the restrictions described in Section 1(A) of this Agreement shall become effective twenty four (24) months after recordation of the Exclusive Groundwater Easement, and the grant of Water Credit Certificates described in Section 2 of this Agreement shall likewise occur twenty four (24) months after recordation of the Exclusive Groundwater Easement. For the provisions of this Section 1(B) to be effective, signature of the District must be affixed immediately below this paragraph.

DISTRICT

2. Grant of Water Credit Certificates. Upon Owner’s (i) delivery of the Exclusive Groundwater Easement to the District, (ii) full compliance with the District’s Water Credit and Mitigation Policy, including, without limitation, rendering wells inoperable, removing turf and/or destroying crops, as applicable, and (iii) completing **special requirements, if applicable**, the District agrees to grant to the Owner raised-sealed and numbered certificate(s) (“Water Credit Certificate(s)”) of Water Credits in the amount calculated as set forth in Exhibit B of the MOA. Subject to the provisions in Section 5, the certificates may be applied by the Owner toward future compliance with the New Development Policy as each of the same may be amended from time to time. The Water Credit Certificates to be granted pursuant to this Section 2 shall never expire, shall be held by the Owner in gross and may be transferred and/or assigned in accordance with the Water Credits Policy. Execution and delivery of the Exclusive Groundwater Easement by the Owner to the District and full compliance with the District’s Water Credits Policy and New Development Policy and, if applicable, the County’s MOA are expressly made conditions precedent to the District’s obligation to grant the Water Credit Certificates provided by this Section 2.

3. Warranties, Representations, and Covenants of Owner. Owner hereby warrants, represents, and/or covenants to the District that:

3.1 Pending Claims. To the best of Owner's knowledge, there are no actions, suits, claims, legal proceedings, or any other proceedings affecting the Groundwater or the Property or any portion thereof, at law, or in equity before any court or governmental agency, domestic or foreign.

3.2 Owner's Title. Owner warrants that Owner owns the Property and Groundwater, free and clear of all water sharing agreements, well sharing agreements, liens, licenses, claims, encumbrances, easements, encroachments on the Property from adjacent properties, encroachments by improvements on the Property onto adjacent properties, and rights-of-way of any nature, not disclosed by the documents recorded in the County Recorder's Office for the Property. Until the recordation of the Exclusive Groundwater Easement, the Owner shall not do anything which would impair the Owner's title to the Groundwater or the Property.

3.3 Conflict with Other Obligation. Neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions and restrictions, well sharing agreement or other agreement or instrument to which Owner or the Property may be bound.

3.4 Change of Situation. Until the recordation of the Exclusive Groundwater Easement, Owner shall, upon learning of any fact or condition which would cause any of the warranties and representations in this section not to be true as of the recordation of the Groundwater Easement, immediately give written notice of such fact or condition to the District.

3.5 Authority. Owner is the owner of the Property (including the rights to the Groundwater) and has the full right, power, and authority to grant the Exclusive Groundwater Easement to the District as provided herein and to carry out Owner's obligations hereunder.

3.6 Bankruptcy. Neither Owner nor any related entity is the subject of a bankruptcy proceeding, and permission of a bankruptcy court is not necessary for the Owner to be able to grant the Exclusive Groundwater Easement as provided herein.

3.7 Governmental Compliance. Owner has not received any notice from any governmental agency or authority alleging that the Groundwater or the Property is currently in violation of any law, ordinance, rule, regulation or requirement applicable to its use and operation. If any such notice or notices are received by the Owner following the date this Agreement is signed by the Owner, the Owner shall, within 10 days of receipt of such notice notify the District. At his/her option, the Owner may then elect to perform the work or take the necessary corrective action prior to granting the Exclusive Groundwater Easement or refuse to do so, in which case Owner shall notify the District of such refusal. The District may accept the Exclusive Groundwater Easement with knowledge of such notice(s). However, if either the District decides not to accept the Exclusive Groundwater Easement due to the notice(s), this Agreement shall terminate.

4. No Guarantee of Value. The District makes no guarantee or representations, express or implied, that the Water Credit Certificates (i) have or in the future will have any monetary or other value and/or (ii) are or will in the future be accepted by the County of San Diego as compliance with its groundwater policy as the same may be amended from time to time. Owner expressly acknowledges that the Water Credit Certificates may presently or in the future be rendered valueless, and District has made no representation that the Water Credit Certificates have or will have any value. District shall not be liable for any absence or loss of value that may occur. Owner

understands and accepts the entire risk regarding the value, if any, of the Water Credit Certificates and accepts the entire risk that the Water Credit Certificates may presently or in the future be rendered

5. Contingency. The completion of this transaction is contingent upon the specific acceptance and approval of the District herein.

6. 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 Owner: _____

Attention: _____

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

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 48 hours after mailing as provided above.

7. Default. Failure or delay by a party to perform any covenant, condition or provision of this Agreement within a reasonable time constitutes default under this Agreement. The injured party shall give written notice of default to the party in default, specifying the default complained of. The defaulting party shall immediately commence to cure such default and shall diligently complete such cure within 30 days from the date of the notice or such longer period if the nature of the default is such that more than 30 days is required to cure such default. The injured party shall have the right to terminate this Agreement by written notice to the other party in the event of a default which is not cured within the time set forth herein.

8. Gender and Number. In this Agreement (unless the context requires otherwise), the masculine, feminine and neuter genders and the singular and the plural shall be deemed to include one another, as appropriate.

9. Entire Agreement. This Agreement, its exhibits and the related Exclusive Groundwater Easement referenced in paragraph 1 above 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. Captions. The captions used herein are for convenience only and are not a part of this Agreement and do not in any way limit or amplify the terms and provisions hereof.

11. Governing Law. This Agreement and the exhibits attached hereto have been negotiated and executed in the State of California and shall be governed by and construed under the laws of the State of California. The venue for any legal action regarding this Agreement shall be the Superior Court of the County of San Diego.

12. Invalidity of Provision. If any provision of this Agreement as applied to any party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

13. Amendments. No addition to or modification of any provision contained in this Agreement shall be effective unless fully set forth in writing by the Owner and the District.

14. Counterparts. This 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.

15. Time of Essence. Time is of the essence of each provision of this Agreement

16. Binding Upon Successors. The terms and conditions, covenants, and agreements set forth herein shall apply to and bind the heirs, executors, administrators, assigns and successors of the parties hereto.

17. LIQUIDATED DAMAGES. GRANTOR ACKNOWLEDGES THAT GRANTEE IS ENTERING INTO THIS AGREEMENT FOR THE EXPRESS AND EXCLUSIVE PURPOSE OF GROUNDWATER PRESERVATION. IF GRANTOR COMMENCES OR RE-COMMENCES ANY ACTIVITY ON THE PROPERTY IN VIOLATION OF THIS AGREEMENT, THE GRANTOR SHALL PAY TO GRANTEE AS LIQUIDATED DAMAGES, AND NOT AS A PENALTY, THE AMOUNT OF \$200 PER OCCURRENCE. FOR PURPOSES OF THIS SECTION 17, EACH DAY THAT GRANTOR COMMENCES OR RE-COMMENCES ANY ACTIVITY ON THE PROPERTY IN VIOLATION OF THIS AGREEMENT SHALL CONSTITUTE A SEPARATE OCCURRENCE. EACH DAY THAT SELLER PLACES IN SERVICE, OPERATES AND/OR UTILIZES ANY WELL ON THE PROPERTY SHALL CONSTITUTE A VIOLATION OF THIS AGREEMENT AND SHALL FURTHER CONSTITUTE A SEPARATE OCCURRENCE FOR PURPOSES OF THIS SECTION 17.

THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE LIQUIDATED DAMAGES PROVISION CONTAINED IN THIS SECTION 17 AND AGREE TO BE BOUND BY ITS TERMS. FURTHER, THE PARTIES HERETO ACKNOWLEDGE THAT THE GRANTEE IS ENTERING INTO THIS AGREEMENT FOR THE SPECIFIC PURPOSE OF PRESERVING GROUNDWATER AND THAT THE LIQUIDATED DAMAGES AMOUNT SPECIFIED IN THIS SECTION 17 IS A REASONABLE ESTIMATE, UNDER THE CIRCUMSTANCES EXISTING ON THE DATE

OF EXECUTION OF THIS AGREEMENT, OF WHAT GRANTEE'S DAMAGES WOULD BE IN THE EVENT OF A DEFAULT BY GRANTOR.

GRANTOR'S INITIALS: _____

DISTRICT'S INITIALS: _____

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year set forth herein above.

OWNER:

By:_____

By:_____

OWNER:

By:_____

By:_____

DISTRICT:

BORREGO WATER DISTRICT, a public corporation

By:_____
General Manager

ATTEST:

District Secretary

APPROVED AS TO FORM:

District General Counsel

EXHIBIT "A"

LEGAL DESCRIPTION

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

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: _____)
)

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

**BWD FORM 102
GRANT OF EXCLUSIVE GROUNDWATER EASEMENT
TO
BORREGO WATER DISTRICT**

This Grant of Groundwater Easement (this "Easement Agreement") is made as of _____, 2014, by GENUS LP, a California Limited Partnership ("Grantor"), for the benefit of the BORREGO WATER DISTRICT, a water district formed pursuant to California law (the "District" or "Grantee").

RECITALS

A. Grantor is the owner of approximately 63.58 acres of contiguous real property located in the County of San Diego, State of California, identified by APN 141-030-35-00, and as particularly set forth in the legal description in Exhibit "A", (the "Property"). Former owners of the Property had from time to time grown peppers and oats ("Water Activity") on the Property. The Property is the subject of this agreement and is 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 District.

D. In consideration of the Grantee's issuance of a certain number of AG-3 Water Credits to Grantor, Grantor has agreed to grant to the Grantee an exclusive easement to reduce the extraction of Groundwater to which Grantor is or may be entitled as a result of Grantor's ownership of the Property. The number of AG-3 Water Credits to be issued is 112.

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NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, Grantor grants the Groundwater Easement (as hereinafter defined) to Grantee under the following terms and conditions:

1. Grant of Exclusive Groundwater Easement. Grantor hereby grants to Grantee an exclusive 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 San Diego County if groundwater use reduction measures are implemented that fully offset the amount of groundwater that the project would use, in accordance with the Memorandum of Agreement Regarding Water Credit with the County of San Diego (the "MOA").

2. Grant of Incidental Nonexclusive Easement. In addition to the Exclusive 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 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 Demand Offset Mitigation Water Credits Policy. Grantor also agrees to suspend all production from the well located on the property and grants the District the exclusive use of its well as a "monitoring" well for the purpose of the District's State required water level and water quality monitoring programs.

3. 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.

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

5. Term. The Groundwater Easement granted in this Easement Agreement shall be an easement in perpetuity for the benefit of the District, and shall run with the land.

6. Maintenance and Liability. Grantor is and shall remain solely and exclusively responsible for all maintenance of the Servient Tenement, 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 Grantor's ownership, use and maintenance of the Servient Tenement.

7. Consideration. In consideration of the grant of the Groundwater Easement granted in this Easement Agreement, the Grantee will recognize 112 AG3 Water Credits pursuant to the District's Demand Offset Mitigation Water Credits Policy, as amended from time to time. Such

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AG3 Water Credits meet the District's requirements for groundwater use offsets for new development according to the terms and conditions of the District's New Policy for Water and Sewer Service to New Development, as amended from time to time.

8. Exclusive Easement. Grantee's use of the Groundwater Easement granted in this Easement Agreement shall be exclusive. Grantor shall not extract, use, divert, 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.

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

10. Attorney's Fees. In the event any declaratory or other legal or equitable action is instituted between the Grantor and the Grantee in connection with this Agreement, the prevailing party shall be entitled to recover from the losing party all of its costs and expenses, including court costs, expert witness fees and reasonable attorneys' fees, and all fees, costs and expenses incurred on any appeal or in collection of any judgment.

11. Entire Agreement. This Easement Agreement and its exhibits 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.

12. Liquidated Damages. GRANTOR ACKNOWLEDGES THAT GRANTEE IS ENTERING INTO THIS EASEMENT AGREEMENT FOR THE EXPRESS AND EXCLUSIVE PURPOSE OF GROUNDWATER PRESERVATION. IF GRANTOR COMMENCES OR RE-COMMENCES ANY ACTIVITY ON THE PROPERTY IN VIOLATION OF THIS AGREEMENT, AND IN ADDITION TO ANY OTHER REMEDIES GRANTEE HAS NOW OR IN THE FUTURE, THE GRANTOR SHALL PAY TO GRANTEE AS LIQUIDATED DAMAGES, AND NOT AS A PENALTY, THE AMOUNT OF \$200 PER OCCURRENCE. FOR PURPOSES OF THIS SECTION 12, EACH DAY THAT GRANTOR COMMENCES OR RE-COMMENCES ANY ACTIVITY ON THE PROPERTY IN VIOLATION OF THIS EASEMENT AGREEMENT SHALL CONSTITUTE A SEPARATE OCCURRENCE. EACH DAY THAT GRANTOR PLACES IN SERVICE, OPERATES AND/OR UTILIZES ANY WELL ON THE PROPERTY SHALL CONSTITUTE A VIOLATION OF THIS AGREEMENT AND SHALL FURTHER CONSTITUTE A SEPARATE OCCURRENCE FOR PURPOSES OF THIS SECTION 12.

THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE LIQUIDATED DAMAGES PROVISION CONTAINED IN THIS SECTION 12 AND AGREE TO BE BOUND BY ITS TERMS. FURTHER, THE PARTIES HERETO ACKNOWLEDGE THAT THE GRANTEE IS ENTERING INTO THIS EASEMENT AGREEMENT FOR THE SPECIFIC PURPOSE OF PRESERVING GROUNDWATER AND THAT THE LIQUIDATED DAMAGES AMOUNT SPECIFIED IN THIS SECTION 12 IS A REASONABLE ESTIMATE, UNDER THE CIRCUMSTANCES EXISTING ON THE DATE OF EXECUTION OF THIS AGREEMENT, OF WHAT

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GRANTEE'S DAMAGES WOULD BE IN THE EVENT OF A DEFAULT BY GRANTOR.

THE TERMS OF THIS SECTION 12 SHALL BE IN ADDITION TO, AND NOT IN LIEU OF, ANY OTHER REMEDIES GRANTEE AND THE THIRD PARTY BENEFICIARY HAS TO ENFORCE THE TERMS AND CONDITIONS OF THIS SECOND EASEMENT IN LAW AND IN EQUITY.

GRANTOR'S INITIALS: _____

DISTRICT'S INITIALS: _____

13. 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: Genus LP
 2006 Old Hwy 395
 Fallbrook CA 92028

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

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.

14. 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.

15. 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.

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

**GRANTOR:
GENUS, L.L.C.**

By: _____

**GRANTEE:
BORREGO WATER DISTRICT**

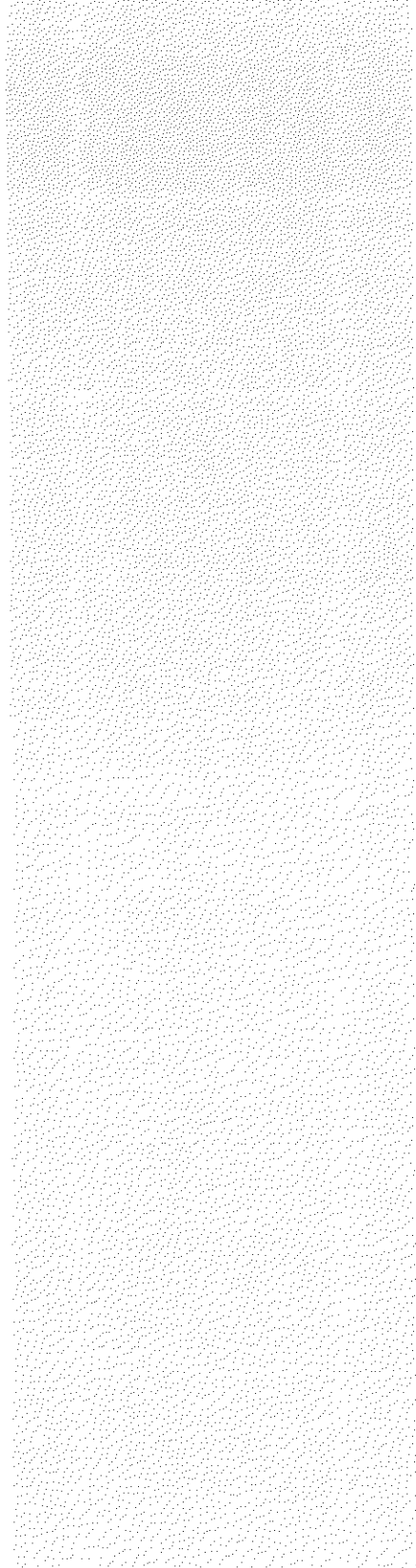
By: _____

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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:



STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____, Notary Public,
(Print Name of Notary Public)

personally appeared _____

- personally known to me
-or-
 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.

WITNESS my hand and official seal.

Signature Of Notary

OPTIONAL

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

CAPACITY CLAIMED BY SIGNER

- Individual
 Corporate Officer

Title(s)

DESCRIPTION OF ATTACHED DOCUMENT

Title Or Type Of Document

- Partner(s) Limited
 General
 Attorney-In-Fact
 Trustee(s)
 Guardian/Conservator
 Other: _____

Number Of Pages

Signer is representing:
Name Of Person(s) Or Entity(ies)

Date Of Documents

Signer(s) Other Than Named Above

Contract / Project	January	February	March	April	May
PAYMENTS					
1 Viking - payment due on 5th anniversary					
2 T2 Borrego	1/1/15: Pay spare cost in advance	2/27/14 ID1-2 well back into production (90 day pump period & testing begins) install transducers on select wells	2/27/14 Resolution for removal of past due avail. Fees. 3/12/2014: ID1-1 well back in production (90 day pump period & testing begins)	Ratellis spare capacity	5/1/14 Notice of 2014/2015 spare capacity due. 5/28/2014: ID1-2 pumping period over.
3 Airport Access Permits					
4 P & I Payment for ID4 COP's			1st half of payments due		
5					
CONTRACTS					
7 American Red Cross-can cancel any time for any reason					
8 Club Circle (Cameron)		option to renew lease by 2/28/2015			
9 Green Desert Landscape		continuing with contract 2/28/2015			
10 JC Labs	1/15/2015 agreement expires/thereafter month to month.				
11 Konika Minolta					
12 Secap - postage machine				4/1/2017 send letter of cancellation if desired	
13 Ramona Disposal - Club Circle	contract RDS re: contract renewal				
14 Ramona Disposal - BWD Dumpsters	contract RDS re: contract renewal				
15					
REPORTS					
17 CCR					5/1/14 Send draft report to Alan Telle
18 Cameron Bros. Water Usage Report (golf course) to county					
19 Santiago Estate					
20 Annual EAR Report (CDHS)			Due 3/31 for previous year		
21					
ADMINISTRATIVE					
23 Audit					
24 Budget			Pump check	CJP meeting, draft budget document	Begin audit Final Budget document / FY Rate Resolution
25 Investment Policy					
26 Rules	Begin 218 process for FY 2015	Begin 218 process for FY 2015	218 process spring 2015		
27 Special Assessments / tax bill resolutions-Taussig					
28 Town Hall Meeting			2015		
29 Elections					

June	July	August	September	October	November	December
1	7/8/2017 payment due					
	6/10/2014: ID1-1 well pumping period over. 6/15/14: commitment of annual spare capacity due from T2 6/30/15: T2 to follow 200 acre feet 6/30/15: T2 to pay BWD \$110 per acre over 800.					12/31/14: T2 to purchase land to follow 12/31/18 lease expires
3	Annual Renewal Due					
4			2nd half of payments due			
5						
6						
7						
8	Lease expires 6/30/2015					
9	Agreement expires 6/30/2015	Cost of Water Adjustment each July 1st. With Cameron				
10						
11		Lease contract expires 7/2015				
12		lease expires 7/2017				
13		rate valid until 7/2016				
14		rate valid until 7/2016				
15						
16						
17	Deliver CCR Reports by 7/1/14			10/1/14 Mail CCR Certification form		
18				Send to County DPLU by 10/31		
19	Occupancy report due					
20						
21						
22						
23						
24						
25	Investment policies restated					
26			Begin Raffetis financial plan			
27	Special Assessments resolutions due					
28						
29		Begin election process				

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	C	D	AR	AS	AT	AU	AV	BB
1	BWD CASH FLOW							
2			ADOPTED	ACTUAL	PROJECTED	ACTUAL	YTD + PROJ MONTHS>>	PROJECTED
3	2014-2015		BUDGET	MAY	MAY	YTD	PROJECTED	JUNE
4			2013-2014	2014	2014	2013-2014	2013-2014	2014
5	REVENUE							
6	WATER REVENUE							
7	Residential Water Sales		822,850	81,293	76,538	767,284	855,149	87,865
8	Commercial Water Sales		114,404	9,753	9,989	103,087	112,247	9,160
9	Irrigation Water Sales		145,635	9,946	10,538	121,813	133,822	12,010
10	GWM Surcharge		102,709	9,225	9,492	98,117	107,509	9,392
11	Water Sales Power Portion		336,908	28,857	28,802	308,437	338,491	30,053
12	Readiness Water Charge		1,082,452	94,483	93,000	986,976	1,079,976	93,000
13	Readiness Water Charge - Liened properties		41,000	0	750	17,091	17,841	750
14	RH Golf Course surplus capacity lease			0	0	67,618	67,618	0
15	Meter Installation		0	0	0	15,036	15,036	0
16	Water hook-up charge		0	0	0	9,250	9,250	0
17	Reconnect Fees		6,800	340	340	6,460	6,800	340
18	Backflow Testing/Installation		4,575	50	0	5,815	5,815	0
19	Bulk Water Sales		6,235	286	970	1,715	2,514	799
20	Penalty & Interest Water Collection		12,197	1,547	873	(527)	473	1,000
21	TOTAL WATER REVENUE:		2,675,765	235,780	231,292	2,508,172	2,752,542	244,369
22		Receivables						
23	PROPERTY ASSESSMENTS/AVAILABILITY CHARGES	as of 06/06/14						
24	641500 1% Property Assessments	3,264	64,388	8,401	8,401	62,849	63,192	343
25	641502 Property Assess wtr/swr/flq25 parcels \$86 ea(1,650))	2,655	25,369	5,512	5,512	24,945	29,443	4,499
27	641501 Water avail Standby	23,269	89,038	15,357	15,357	81,274	81,666	393
29	641504 ID 3 Water Standby (La Casa)	2,645	35,165	12,793	12,793	34,455	34,512	57
30	641503 Pest standby	2,849	15,474	5,651	5,651	17,382	34,620	17,239
31	TOTAL PROPERTY ASSES/AVAIL CHARGES:	34,681	229,434	47,713	47,713	220,904	243,434	22,529
32								
33	SEWER SERVICE CHARGES							
34	Town Center Sewer Holder's Fees		168,000	14,274	14,000	157,011	171,011	14,000
35	Town Center Sewer User Fees		37,920	3,170	3,160	34,850	38,010	3,160
36	Sewer user Fees		300,300	25,361	25,025	270,408	297,958	27,550
37	Sewer-liened		3,216	0	268	1,567	1,835	268
38	Penalty Interest-Sewer		1,200	0	100	(111)	(111)	0
39	Sewer Capacity Fees		0	0	0	-	-	0
40	TOTAL SEWER SERVICE CHARGES:		510,636	42,805	42,553	463,726	508,704	44,978
41								
42	OTHER INCOME							
44	Annexation Fees		0	0	0	-	-	0
45	Fire Hydrant Installation		0	0	0	-	-	0
46	Miscellaneous Income (net csd fee/JPIA rebate/check free)		10,320	83	80	28,619	28,699	80
47	Water Credits income		0	1,000	0	12,000	12,000	0
51	Interest Income		187	2	2	62	77	15
52	TOTAL OTHER INCOME:		10,507	1,084	82	40,681	40,776	95
53								
54	TOTAL INCOME:		3,426,341	327,382	321,640	3,233,484	3,545,455	311,972
55								
56	CASH BASIS ADJUSTMENTS							
57	Decrease (Increase) in Accounts Receivable			7,563		41,886	41,886	
58	CC Golf Equipment receivable		2,270	189	189	2,081	2,270	189
59	Other Cash Basis Adjustments				0	(10,322)	(10,322)	0
60	TOTAL CASH BASIS ADJUSTMENTS:		2,270	7,752	189	33,644	33,833	189
61								
62	TOTAL INCOME RECEIVED:		3,428,611	335,134	321,829	3,267,128	3,579,289	312,161

	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN
1	5/20/2014											
2	ADOPTED	YTD + PROJ MONTHS>>										
3	BUDGET	PROJECTED	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL
4	2014-2015	2014-2015	2014	2014	2014	2014	2014	2014	2015	2015	2015	2015
5												
6												
7	899,221	898,330	83,154	83,539	75,080	82,109	78,774	62,765	65,341	58,160	53,226	80,272
8	120,570	120,408	11,764	11,648	9,651	10,787	10,043	8,118	9,864	7,954	9,228	10,861
9	142,918	142,741	13,714	16,141	15,646	18,639	12,863	9,098	9,721	7,221	5,867	9,706
10	114,930	114,808	10,754	11,321	10,258	11,178	10,287	8,154	8,657	7,475	6,636	9,882
11	364,158	363,666	35,547	35,450	32,070	34,957	32,129	25,490	27,073	23,375	21,988	32,612
12	1,080,000	1,080,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
13	27,600	9,000	750	750	750	750	750	750	750	750	750	750
14		0				0	0	0	0	0	0	0
15	5,809	5,809	0	0	0	0	0	0	0	5,809	0	0
16		0	0	0	0	0	0	0	0	0	0	0
17	4,080	4,080	340	340	340	340	340	340	340	340	340	340
18	4,600	4,600	0	0	0	0	0	0	4,600	0	0	0
19	3,500	3,500	0	41	0	0	750	0	0	484	343	482
20	6,000	6,000	500	500	500	500	500	500	500	500	500	500
21	2,773,387	2,752,941	246,523	249,730	234,295	249,260	236,435	205,214	216,845	202,067	188,879	235,405
22												
23												
24	64,625	64,625	0	971	626	759	1,995	21,031	10,822	1,673	1,610	15,990
25	1,650	1,650	0	0	0	0	0	1,650	0	0	0	0
27	82,559	82,559	0	867	984	429	6,180	21,949	22,601	2,726	3,044	5,292
29	33,722	33,722	0	0	21	89	1,070	15,015	12,713	439	584	1,046
30	17,938	17,938	0	100	113	54	400	4,559	6,759	377	394	2,063
31	200,493	200,493	0	1,938	1,745	1,331	9,645	64,203	52,894	5,215	5,632	24,390
32												
33												
34	170,190	170,190	14,274	14,274	14,274	14,274	14,274	14,274	14,274	14,274	14,000	14,000
35	38,040	38,040	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170
36	345,125	360,250	27,500	30,250	30,250	30,250	30,250	30,250	30,250	30,250	30,250	30,250
37	2,160	2,160	180	180	180	180	180	180	180	180	180	180
38		0	0	0	0	0	0	0	0	0	0	0
39		0	0	0	0	0	0	0	0	0	0	0
40	555,515	570,640	45,124	47,874	47,874	47,874	47,874	47,874	47,874	47,874	47,600	47,600
41												
42												
44		0	0	0	0	0	0	0	0	0	0	0
45		0	0	0	0	0	0	0	0	0	0	0
46	15,880	15,880	80	80	80	80	80	80	80	15,000	80	80
47	8,250	8,250	0	0	0	2,750	0	2,750	0	0	0	2,750
51	80	80	2	2	2	16	2	2	16	2	2	16
52	24,210	24,210	82	82	82	2,846	82	2,832	96	15,002	82	2,846
53		0										
54	3,553,605	3,548,284	291,729	299,624	283,996	301,311	294,036	320,123	317,709	270,157	242,193	310,240
55												
56												
57		0	0	0	0	0	0	0	0	0	0	0
58	2,270	2,270	189	189	189	189	189	189	189	189	189	189
59		0	0	0	0	0	0	0	0	0	0	0
60	2,270	2,270	189	189	189	189	189	189	189	189	189	189
61												
62	3,555,875	3,550,553	291,918	299,813	284,185	301,500	294,225	320,312	317,898	270,346	242,382	310,429

	C	D	AR	AS	AT	AU	AV	BB
1	BWD CASH FLOW							
2			ADOPTED	ACTUAL	PROJECTED	ACTUAL	YTD + PROJ MONTHS>>	PROJECTED
3	2014-2015		BUDGET	MAY	MAY	YTD	PROJECTED	JUNE
4			2013-2014	2014	2014	2013-2014	2013-2014	2014
63	EXPENSES							
64								
65	MAINTENANCE EXPENSE							
66	R & M Buildings & Equipment		130,000	11,699	5,000	138,054	143,054	5,000
67	R & M - WWTP		40,000	5,128	3,330	66,181	69,511	3,330
68	Telemetry		10,000	4,147	0	11,091	13,091	2,000
69	Trash Removal		3,655	287	287	3,157	3,444	287
70	Vehicle Expense		18,000	937	1,500	13,141	14,641	1,500
71	Fuel & Oil		33,000	3,353	2,750	28,266	31,016	2,750
72	TOTAL MAINTENANCE EXPENSE:		234,655	25,551	12,867	259,890	274,757	14,867
73								
74	PROFESSIONAL SERVICES EXPENSE							
75	Tax Accounting (Taussig)		1,500	0	7,500	1,667	1,667	0
76	Administrative Services (ADP/Bank Fees)		6,000	3,407	500	20,919	21,419	500
77	Audit Fees		14,439	0	0	14,439	14,439	0
78	Computer billing-TBD		9,000	570	750	6,174	6,924	750
79	Consulting/Technical/Contract Labor		200	0	200	-	-	0
80	Engineering		25,200	30,978	2,100	44,268	17,268	(27,000)
81	District Legal Services		15,000	1,258	1,000	43,523	44,523	1,000
82	Testing/lab work		18,000	1,455	1,000	17,348	18,348	1,000
83	Regulatory Permit Fees		42,000	463	3,175	28,816	30,922	2,106
84	TOTAL PROFESSIONAL SERVICES EXPENSE:		131,339	38,130	16,226	177,154	155,510	(21,644)
85								
86	INSURANCE/DEBT EXPENSE							
87	ACWA Insurance		73,650	0	0	56,231	56,231	0
88	Workers Comp		18,800	0	0	10,871	14,871	4,000
89	COP 2008 Installment		219,313	0	0	219,313	219,313	0
90	TOTAL INSURANCE/DEBT EXPENSE:		311,763	0	0	286,414	290,414	4,000
91								
92	PERSONNEL EXPENSE							
93	Board Meeting Expense (board stipend/board secretary)		12,870	460	1,170	10,405	11,575	1,170
94	Salaries & Wages (gross)		750,000	59,449	62,000	675,039	737,039	62,000
95	Taxes on Payroll		16,000	865	766	15,781	16,458	677
96	Medical Insurance Benefits +5% Jan-June 2015)		181,000	14,583	15,660	169,608	169,608	0
97	Calpers Retirement Benefits		157,200	12,501	12,529	136,398	148,927	12,529
98	Salaries & Wages contra account		(12,870)	(330)	(1,170)	(10,855)	(12,025)	(1,170)
99	Conference/Conventions/Training/Seminars		7,500	405	600	6,017	6,077	60
100	TOTAL PERSONNEL EXPENSE:		1,111,700	87,933	91,555	1,002,394	1,077,660	75,266
101								
102	OFFICE EXPENSE							
103	Office Supplies		18,000	1,042	1,500	19,670	21,170	1,500
104	Office Equipment/ Rental/Maintenance Agreements		25,400	1,516	1,800	21,357	23,157	1,800
105	Postage & Freight		13,000	1,200	1,200	13,101	13,116	15
106	Taxes on Property		2,150	0	0	2,366	2,366	0
107	Telephone/Answering Service		8,400	686	700	7,012	7,712	700
108	Dues & Subscriptions		4,400	0	50	3,844	3,889	45
109	Printing, Publications & Notices		747	52	0	799	899	100
110	Uniforms		7,177	379	500	4,476	4,976	500
111	OSHA Requirements/Emergency preparedness		4,842	1,611	200	2,637	2,837	200
112	TOTAL OFFICE EXPENSE:		84,838	6,485	5,950	75,261	80,121	4,860
113								
114	UTILITIES EXPENSE							
115	Pumping-Electricity		360,000	42,276	27,457	312,583	343,736	31,153
116	Office/Shop Utilities		16,875	1,565	1,137	15,374	16,844	1,470
117	Cellular Phone		8,777	581	756	6,965	7,721	756
118	TOTAL UTILITIES EXPENSE:		385,652	44,423	29,350	334,921	368,300	33,379
119								
120	TOTAL EXPENSES:		2,259,946	202,522	155,948	2,136,034	2,246,763	110,728
121								
122	CASH BASIS ADJUSTMENTS							
123	Decrease (Increase) in Accounts Payable			(70,091)		(37,601)	(37,601)	
124	Increase (Decrease) in Inventory			2,024		30,781	30,781	
125	Other Cash Basis Adjustments					3,973	3,973	
126	TOTAL CASH BASIS ADJUSTMENTS:			(68,067)	0	(2,847)	(2,847)	0
127								
128	TOTAL EXPENSES PAID:		2,259,946	134,455	155,948	2,133,188	2,243,916	110,728
129								
130	NET CASH FLOW (O&M)		1,168,665	200,679	165,881	1,133,940	1,335,373	201,433

	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN
1	5/20/2014											
2	ADOPTED	YTD + PROJ MONTHS>>										
3	BUDGET	PROJECTED	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL
4	2014-2015	2014-2015	2014	2014	2014	2014	2014	2014	2015	2015	2015	2015
63												
64												
65												
66	142,000	142,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
67	60,000	60,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
68	20,000	20,000	1,500	1,500	1,500	1,500	2,000	1,500	2,000	1,500	2,000	1,500
69	3,600	3,600	300	300	300	300	300	300	300	300	300	300
70	18,000	18,000	1,000	1,000	1,000	1,675	1,487	1,838	2,000	2,000	1,500	1,500
71	33,000	33,000	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750
72	276,600	276,600	22,550	22,550	22,550	23,225	23,537	23,388	24,050	23,550	23,550	23,050
73												
74												
75	3,000	3,000	0	1,500	0	0	0	0	0	0	0	0
76	6,000	6,000	500	500	500	500	500	500	500	500	500	500
77	14,439	14,439	0	4,813	0	4,813	4,813	0	0	0	0	0
78	18,250	18,250	750	10,000	750	750	750	750	750	750	750	750
79	1,200	1,200	100	100	100	100	100	100	100	100	100	100
80	35,000	35,000	3,000	3,000	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
81	20,000	20,000	1,500	1,500	1,500	1,500	2,000	1,500	2,000	1,500	2,000	1,500
82	18,000	18,000	445	4,000	450	990	1,220	1,050	2,720	1,725	1,200	1,200
83	38,000	38,000	500	2,000	4,000	500	18,080	500	1,500	500	4,722	399
84	153,889	153,889	6,795	27,413	10,200	12,053	30,363	7,300	10,470	7,975	12,172	7,349
85												
86												
87	74,000	74,000	0	0	30,000	0	0	0	0	0	11,000	33,000
88	14,400	14,400	0	0	3,600	0	0	3,600	0	0	3,600	0
89	255,713	255,713	0	0	196,875	0	0	0	0	0	58,838	0
90	344,113	344,113	0	0	230,475	0	0	3,600	0	0	73,438	33,000
91												
92												
93	12,870	12,870	1,170	0	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
94	730,000	730,000	62,085	59,231	60,852	62,472	62,611	62,472	62,499	57,611	59,231	60,852
95	15,500	15,500	900	800	900	900	1,100	930	3,500	1,700	1,200	1,500
96	180,000	180,000	29,165	14,583	14,583	14,583	14,583	14,583	15,584	15,584	15,584	15,584
97	162,000	162,000	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
98	(12,195)	(12,195)	(1,170)	0	(1,170)	(1,170)	(1,170)	(1,170)	(1,170)	(495)	(1,170)	(1,170)
99	7,000	7,000	500	500	1,900	700	1,000	600	100	400	500	100
100	1,095,175	1,095,175	106,150	88,614	91,735	92,155	92,794	92,085	95,183	89,470	90,015	91,536
101												
102												
103	18,000	18,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
104	25,000	25,000	1,700	1,700	5,350	2,650	1,700	1,700	1,700	1,700	1,700	1,700
105	13,000	13,000	2,172	2,093	2,251	2,000	20	2,014	0	20	1,200	15
106	2,366	2,366	0	0	0	2,188	0	0	177	0	0	0
107	7,674	7,674	603	608	668	645	617	596	627	511	700	700
108	3,970	3,970	133	449	339	0	0	25	237	132	200	2,360
109	838	838	72	0	0	550	0	0	0	0	116	0
110	6,000	6,000	500	500	500	500	500	500	500	500	500	500
111	4,500	4,500	375	375	375	375	375	375	375	375	375	375
112	81,347	81,347	7,056	7,225	10,982	10,409	4,712	6,710	5,116	4,737	6,291	7,150
113												
114												
115	360,000	360,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
116	17,319	17,319	2,140	1,954	1,960	1,313	1,185	1,174	1,384	1,192	1,032	1,179
117	8,000	8,000	667	667	667	667	667	667	667	667	666	666
118	385,319	348,907	30,077	29,040	29,056	28,351	26,937	28,497	29,825	27,571	28,525	28,301
119												
120	2,336,442	2,300,031	172,628	174,842	394,998	166,192	178,343	161,580	164,644	153,303	233,991	190,385
121												
122												
123		0	0	0	0	0	0	0	0	0	0	0
124		0	0	0	0	0	0	0	0	0	0	0
125		0	0	0	0	0	0	0	0	0	0	0
126		0	0	0	0	0	0	0	0	0	0	0
127												
128	2,336,442	2,300,031	172,628	174,842	394,998	166,192	178,343	161,580	164,644	153,303	233,991	190,385
129												
130	1,219,433	1,250,523	119,290	124,971	(110,813)	135,307	115,882	158,732	153,254	117,043	8,391	120,044

	C	D	AR	AS	AT	AU	AV	BB
1	BWD CASH FLOW							
2			ADOPTED	ACTUAL	PROJECTED	ACTUAL	YTD + PROJ MONTHS>>	PROJECTED
3	2014-2015		BUDGET	MAY	MAY	YTD	PROJECTED	JUNE
4			2013-2014	2014	2014	2013-2014	2013-2014	2014
131	NON O & M EXPENSES							
132	USGS Basin study (\$49,028 balance)	(\$49,000 br fwd FY)	57,500	56,563	0	65,023	77,798	12,775
133	GWM -Plan Completion		30,000	11,125	2,500	24,783	27,283	2,500
136	Viking Ranch Purchase		69,000			70,493	70,493	
138	Rams Hill #1 1980 steel needs inside coating, 1.25mg(cathodic protection)		200,000			203,912	203,912	
139	800 Tank		123,576			125,825	125,825	
140	Twin Tanks, 1970's-inside coating (rescheduled into 2013-2014)		40,000			-	40,000	40,000
142	ID4, Reducing Station design and installation		20,000			-	20,000	20,000
146	ID 5, Reducing Station design and installation					-	20,000	20,000
147	GWM-Plan conversion to IRWM					-	-	-
148	Application for IRWMP round three implementation					-	-	-
149	Collection system repairs \$25,000/manhole replacement \$50,000		70,000	7,000	10,000	59,079	69,079	10,000
151	Lugo building repairs		5,000			980	1,980	1,000
152	Pipeline-Country Club Road Booster Sta #3 south to Slash M		154,000			-	154,000	154,000
153	Fire Hydrant Replacements		12,360		4,120	-	8,000	8,000
154	Rewind motors-ID1-10/ID4-11		35,000		15,000	4,997	34,997	30,000
155	Rewind motors-ID1-12/ID5-5					-	-	-
156	ID 1-16 pump and casing cleaning		60,000	7,888	14,667	27,041	57,041	30,000
157	ID4-4 pump and casing cleaning				44,000	-	-	-
158	ID4-Well 18 new submersible pump					24,500	24,500	
159	Booster Station Motors					-	-	-
160	WWTP-Skid Steer					-	-	-
161	WWTP-Portable engine driven pump					-	-	-
162	WWTP-Rehab grit chamber & sludge holding tank diffuser system					-	-	-
163	WWTP-Jetting & Vactor Truck Service					-	-	-
164	WWTP-Rehab Clarifier		28,000			17,775	23,275	5,500
165	WWTP-Video Collection Lines		10,000			10,000	10,000	
166	RHGC Settlement Statement-Availability fees past/present					(75,793)	(75,793)	
167	RHGC Settlement Statement-Sale of wells ID 1-1 & ID1-2					(106,436)	(106,436)	
168	RHGC Settlement Statement-other cost less \$6,000 deposit					(1,792)	(1,792)	
169	RHGC Settlement Statement-Well 12 purchase agreement pay off					372,963	372,963	
170	218 Process					-	-	-
171	Circle J Pipeline project					-	-	-
172	Trailer to haul pipe					-	-	-
173	Air Quality Compliance					-	-	-
174	New Computer for server					-	-	-
175	TOTAL NON O&M EXPENSES		914,436	82,576	90,287	823,347	1,157,122	333,775
176								
177	CASH RECAP							
178	Cash beginning of period		1,471,674	1,664,165	1,664,165	1,471,674	1,471,674	1,782,268
179	Net Cash Flow (O&M)		1,168,665	200,679	165,881	1,133,940	1,335,373	201,433
180	Total Non O&M Expenses		(914,436)	(82,576)	(90,287)	(823,347)	(1,157,122)	(333,775)
181	CASH AT END OF PERIOD		1,725,903	1,782,268	1,739,759	1,782,267	1,649,925	1,649,926
182								
183	RESERVES							
184	Working Capital (4 months)							
185	Viking Ranch							
186	Available for Emergency Reserves							
187	Target Emergency Reserves							
188	Emergency Reserves Deficit							
189								
190								
191	SIGNIFICANT ITEMS		ACTUAL	PROJECTED				
192								
193	R & M Buildings & Equipment	11,699	5,000	\$4,000 well repairs				
194	Engineering	30,978	2,100	\$29,000 Dudek to be reimb by T2				
195								
196								
197	Total Significant Items:	42,676	7,100					

	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN
1	5/20/2014											
2	ADOPTED	YTD + PROJ MONTHS>>										
3	BUDGET	PROJECTED	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL
4	2014-2015	2014-2015	2014	2014	2014	2014	2014	2014	2015	2015	2015	2015
131												
132		0		0								
133	15,000	15,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
136		0										
138		0										
139		0										
140		0				0						
142		0										
146	10,000	10,000			10,000							
147	35,000	35,000	2,913	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917
148	35,000	35,000	2,913	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917
149	75,000	75,000			25,000	50,000						
151	5,000	5,000		400	400	400	400	400	500	500	500	500
152		0										
153		0										
154		0										
155	30,000	30,000				15,000			15,000			
156												
157	60,000	60,000			60,000							
158		0										
159	16,000	16,000			8,000				8,000			
160	65,000	65,000	65,000									
161	10,000	10,000		10,000								
162	30,000	30,000										30,000
163	10,000	10,000						10,000				
164	40,000	40,000					40,000					
165	25,000	25,000							25,000			
166		0										
167		0										
168		0										
169		0										
170	110,000	110,000										
171	57,000	57,000				57,000						
172	10,000	10,000		10,000								
173	40,000	40,000						40,000				
174	10,000	10,000			10,000							
175	688,000	688,000	72,076	27,484	120,484	129,484	61,234	61,234	46,334	54,334	21,334	51,334
176												
177												
178	1,688,382	1,649,925	1,649,926	1,697,139	1,794,627	1,563,330	1,569,153	1,623,801	1,721,299	1,828,219	1,890,928	1,877,985
179	1,219,433	1,250,523	119,290	124,971	(110,813)	135,307	115,882	158,732	153,254	117,043	8,391	120,044
180	(688,000)	(688,000)	(72,076)	(27,484)	(120,484)	(129,484)	(61,234)	(61,234)	(46,334)	(54,334)	(21,334)	(51,334)
181	2,219,815	2,212,447	1,697,139	1,794,627	1,563,330	1,569,153	1,623,801	1,721,299	1,828,219	1,890,928	1,877,985	1,946,696
182												
183												
184	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
185	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
186	1,169,815	1,162,447	647,139	744,627	513,330	519,153	573,801	671,299	778,219	840,928	827,985	896,696
187	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
188	(830,185)	(837,553)	(1,352,861)	(1,255,373)	(1,486,670)	(1,480,847)	(1,426,199)	(1,328,701)	(1,221,781)	(1,159,072)	(1,172,015)	(1,103,304)
189												
190												
191												
192												
193												
194												
195												
196												
197												



BORREGO WATER DISTRICT

	BALANCE SHEET		BALANCE SHEET		MONTHLY
	May 31, 2014		April 30, 2014		CHANGE
	<i>(unaudited)</i>		<i>(unaudited)</i>		<i>(unaudited)</i>
ASSETS:					
CURRENT ASSETS					
Cash and cash equivalents	\$	1,782,192.98	\$	1,664,164.61	\$ 118,028.37
Accounts receivable from water sales and sewer charges	\$	396,030.92	\$	403,594.00	\$ (7,563.08)
Interest receivable	\$	-	\$	-	\$ -
Inventory	\$	165,827.39	\$	167,851.43	\$ (2,024.04)
Availability charges receivable	\$	-	\$	-	\$ -
Allowance for uncollectable availability charges	\$	-	\$	-	\$ -
Grant Receivable	\$	-	\$	-	\$ -
Prepaid expenses	\$	43,007.66	\$	43,007.66	\$ -
Other Receivables	\$	2,459.80	\$	2,649.00	\$ (189.20)
TOTAL CURRENT ASSETS	\$	2,389,518.75	\$	2,281,266.70	\$ 108,252.05
RESTRICTED ASSETS					
Debt Service:					
Deferred amount of COP Refunding	\$	142,558.65	\$	142,558.65	\$ -
Unamortized bond issue costs	\$	98,942.11	\$	98,942.11	\$ -
Total Debt service	\$	241,500.76	\$	241,500.76	\$ -
Trust fund:					
Investments with fiscal agent -CFD 2007-1	\$	109,176.15	\$	70,299.07	\$ 38,877.08
Total Trust fund	\$	109,176.15	\$	70,299.07	\$ 38,877.08
TOTAL RESTRICTED ASSETS	\$	350,676.91	\$	311,799.83	
UTILITY PLANT IN SERVICE					
Land	\$	3,118,375.65	\$	3,118,375.65	\$ -
Flood Control Facilities	\$	4,319,603.58	\$	4,319,603.58	\$ -
Capital Improvement Projects	\$	186,213.42	\$	186,213.42	\$ -
Sewer Facilities	\$	5,521,773.57	\$	5,521,773.57	\$ -
Water facilities	\$	10,413,412.75	\$	10,413,412.75	\$ -
Pipelines, wells and tanks	\$	151,699.02	\$	151,699.02	\$ -
General facilities	\$	1,006,881.13	\$	1,006,881.13	\$ -
Equipment and furniture	\$	312,133.38	\$	312,133.38	\$ -
Vehicles	\$	495,572.91	\$	495,572.91	\$ -
Accumulated depreciation	\$	(10,434,368.79)	\$	(10,434,368.79)	\$ -
NET UTILITY PLANT IN SERVICE	\$	15,091,296.62	\$	15,091,296.62	\$ -
OTHER ASSETS					
Water rights -ID4	\$	185,000.00	\$	185,000.00	\$ -
TOTAL OTHER ASSETS	\$	185,000.00	\$	185,000.00	
TOTAL ASSETS	\$	18,016,492.28	\$	17,869,363.15	\$ 147,129.13

Balance sheet continued

	BALANCE SHEET May 31, 2014 (unaudited)	BALANCE SHEET April 30, 2014 (unaudited)	MONTHLY CHANGE (unaudited)
LIABILITIES:			
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS			
Accounts Payable	\$ 135,464.35	\$ 65,373.38	\$ 70,090.97
Accrued expenses	\$ 115,112.00	\$ 115,112.00	\$ -
Deferred Revenue	\$ -	\$ -	\$ -
Deposits	\$ 21,243.75	\$ 22,593.75	\$ (1,350.00)
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	\$ 271,820.10	\$ 203,079.13	\$ 68,740.97
CURRENT LIABILITIES PAYABLE FOM RESTRICTED ASSETS			
Debt Service:			
Accounts Payable to CFD 2007-1	\$ 109,176.15	\$ 70,299.07	\$ 38,877.08
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 109,176.15	\$ 70,299.07	\$ 38,877.08
LONG TERM LIABILITIES			
2008 Certificates of participation (payable from restricted assets)	\$ 2,750,000.00	\$ 2,750,000.00	\$ -
Viking Ranch Note	\$ 1,494,000.00	\$ 1,494,000.00	\$ -
TOTAL LONG TERM LIABILITIES	\$ 4,244,000.00	\$ 4,244,000.00	\$ -
TOTAL LIABILITIES	\$ 4,624,996.25	\$ 4,517,378.20	\$ 107,618.05
FUND EQUITY			
Contributed equity	\$ 9,611,814.35	\$ 9,611,814.35	\$ -
Retained Earnings:			
Unrestricted Reserves/Retained Earnings	\$ 3,779,681.68	\$ 3,740,170.60	\$ 39,511.08
Total retained earnings	\$ 3,779,681.68	\$ 3,740,170.60	\$ 39,511.08
TOTAL FUND EQUITY	\$ 13,391,496.03	\$ 13,351,984.95	\$ 39,511.08
TOTAL LIABILITIES AND FUND EQUITY	\$ 18,016,492.28	\$ 17,869,363.15	\$ 147,129.13



BORREGO WATER DISTRICT

Treasurer's Report May, 2014

Bank Balance	Carrying Value	Fair Value	% of Portfolio				Valuation Source
			Current Actual	Rate of Interest	Maturity		

Cash and Cash Equivalents:

Demand Accounts at WFB/BSB/LAIF

WFB/BSB General Account/Petty Cash	\$ 1,799,197	\$ 1,705,946	\$ 1,705,946	95.72%	0.00%	N/A	WFB/UB
Payroll Account	\$ 6,426	\$ 4,900	\$ 4,900	0.27%	0.01%	N/A	WFB
MMA	\$ 50,431	\$ 50,431	\$ 50,431	2.83%	0.03%	N/A	WFB
LAIF	\$ 20,916	\$ 20,916	\$ 20,916	1.17%	0.23%	N/A	LAIF
Total Cash and Cash Equivalents	\$ 1,876,970	\$ 1,782,193	\$ 1,782,193	100.00%			

Facilities District No. 2007-1

First American Treas Obligation -US BANK	\$ 109,176	\$ 109,176	\$ 109,176
Total Cash, Cash Equivalents & Investments	\$ 1,986,146	\$ 1,891,369	\$ 1,891,369

Cash and investments conform to the District's Investment Policy statement filed with the Board of Directors on June 26, 2013.

Cash, investments and future cash flows are sufficient to meet the needs of the District for the next six months.

Sources of valuations are Umpqua Bank, Wells Fargo Bank (WFB), LAIF and US Trust Bank.

Kim Pitman, Administration Manager



BORREGO WATER DISTRICT

To: BWD Board of Directors
 From: Kim Pitman
 Subject: Consideration of the Disbursements and Claims Paid
 Month Ending May, 2014

A. Vendor disbursements paid during this period:		\$	242,865.15
<i>Significant items:</i>			
San Diego Gas & Electric		\$	28,846.76
RHGC portion of San Diego Gas & Electric		\$	14,629.98
CalPERS Payments		\$	15,164.46
Employee Health Benefits		\$	15,742.94
BWD portion of BWC Facilitator		\$	7,333.00
B. Capital Projects/Fixed Asset Outlays:			
USGS-7/1/13-3/31/14		\$	56,562.92
C. Total Professional Services for this Period:			
<i>(included in vendor disbursements paid above)</i>			
McDougal, Love, Eckis, Attorneys	Legal-general	\$	962.04
	GWM	\$	165.00
	Total Invoice:	\$	1,127.04
Downey Brand, Attorneys	Legal-T2	\$	296.00
	GWM	\$	3,108.00
	Total Invoice:	\$	3,404.00
Dudek Professional Services	T2	\$	29,477.51
	(T2 reimbursed-June)	\$	(29,477.51)
	Total Invoice:	\$	-
Raftelis Financial-Stand-by Assess review	T-2	\$	2,965.00
	Total Invoice:	\$	2,965.00
D. Payroll for this Period:			
Gross Payroll		\$	59,449.05
Employer Payroll Taxes and ADP Fee		\$	1,009.55
Total		\$	60,458.60

BORREGO WATER DISTRICT
FOR BOARD CONSIDERATION AND APPROVAL
MAY 31, 2014

GENERAL ACCOUNT

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
19217	06/11/14	U.S.BANK CORPORATE PAYMENT SYS SEE INVOICE FOR DETAILS	
		SEE INVOICE FOR DETAILS	1,562.43
19179	05/28/14	3E COMPANY ENVIRNOMENTAL MSDS ON DEMAND	632.50
19237	06/12/14	ABILITY ANSWERING/PAGING SER ANSWERING SERVICE	207.74
19218	06/11/14	ACCURATE AIR ENGINEERING, INC BLOWER UNIT	2,144.72
19167	05/20/14	CB&T ACWA-JPIA MEDICAL BENEFITS JUNE	15,742.94
19168	05/20/14	AFLAC EMPLOYEE PAID SUPPLEMENTAL INS	1,864.46
19203	06/03/14	AIR POLLUTION EMISSION FEE FOR RENEWAL APCD2012-SITE 00913 APCD2012-PTO001177	356.00
19169	05/20/14	AMERICAN BACKFLOW SPECIALTIES CALIBRATION OF BACKFLOW TEST KIT AND PARTS	298.47
19219	06/11/14	AMERICAN LINEN INC. UNIFORMS FOR CREW	378.60
19204	06/03/14	AT CONFERENCE CONFERENCE CALLS	47.05
19205	06/03/14	AT&T MOBILITY CELL PHONES FOR CREW	504.98
19206	06/03/14	AT&T-CALNET 2 PHONES WWTP PHONES OFFICE PHONES - MAINTENANCE	319.52
19180	05/28/14	USABLUEBOOK FIBERGLASS BLOWER PACKAGE	4,360.45
19220	06/11/14	BORREGO SPRINGS BOTTLED WATER WATER FOR CREW	77.95
19207	06/03/14	BORREGO SPRINGS CHAMBER FUND PORTION OF THE BORREGO WATER COALITION FACILITATION APPROVED 5.20.14	7,333.00
19208	06/03/14	BORREGO SUN ADVERTISMENT WATER RATE	1.75
19221	06/11/14	CONTRON SCADA PROGRAMING	4,147.20
19222	06/11/14	COUNTY OF SAN DIEGO PERMIT RENEWAL BWD WELL #5 DEH2012-HUPFP-216150	88.00
19238	06/12/14	DATASTREAM BUSINESS HP PROGRAMMING MAY	570.00
19209	06/03/14	JAMES G HORMUTH/DBA TRUE VALUE SEE INVOICE FOR DETAILS	168.35
19170	05/20/14	DEBBIE MORETTI	

BORREGO WATER DISTRICT
FOR BOARD CONSIDERATION AND APPROVAL
MAY 31, 2014

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
		PEST CONTROL WWTP	
		PEST CONTROL YARD	
		PEST CONTROL OFFICE	113.00
19223	06/11/14	DEBBIE MORETTI	
		PEST CONTROL WWTP	
		PEST CONTROL OFFICE & YARD	113.00
19171	05/20/14	DESERT TIRE CENTER	
		FLAT REPAIR	30.00
19210	06/03/14	DOWNEY BRAND	
		PROFESSIONAL SERVICES	3,404.00
19172	05/20/14	DUDEK	
		PROFESSIONAL SERVICES	
		WATER FOR RAMS HILL 3/2014	29,477.51
19224	06/11/14	E.S. BABCOCK & SONS, INC.	
		WATER SAMPLE LAB PROCESSING	1,455.00
19225	06/11/14	EMPIRE SOUTHWEST	
		REPLACE BUCKET CYLINDER ON	
		416C BACKHOE	
		REPLACE EXTEND A HOE CYLINDER	
		ON 416C BACKHOE	3,451.48
19239	06/12/14	FIREFORCE INC.	
		SERVICE FIRE EXTINGUISHERS	978.10
19211	06/03/14	GREEN DESERT LANDSCAPE	
		MANAGEMENT FEE CLUB CIRCLE	
		MAY	5,210.80
19181	05/28/14	HIDDEN VALLEY PUMP SYSTEMS INC	
		TEST PUMP FOR ID1 WELL 16 FOR	
		SIZING OF NEW PUMP	7,888.00
19242	06/16/14	HOME DEPOT CREDIT SERVICES	
		SEE INVOICE FOR DETAILS	1,322.94
19173	05/20/14	HVAC	
		REPLACEMENT MOTOR FOR AIR	
		CONDITIONER AT WWTP	550.85
19212	06/03/14	JANICE R. NARAGON	
		RESEARCH GWM PLAN UPDATE	462.50
19226	06/11/14	JC LABS & MONITORING SERVICE	
		WASTEWATER CONSULTING SERVICES	1,500.00
19174	05/20/14	KENNY STRICKLAND, INC.	
		FUEL FOR DISTRICT VEHICLES	817.43
19182	05/28/14	KENNY STRICKLAND, INC.	
		FUEL FOR DISTRICT VEHICLES	
		5140845	2,021.34
19227	06/11/14	KENNY STRICKLAND, INC.	
		FUEL FOR DISTRICT VEHICLES	513.84
19228	06/11/14	KONICA MINOLTA	
		COPIER LEASE	1,378.03
19229	06/11/14	McCALLS METERS, INC	
		4" METER FOR BACKUP ON ACCT	
		268 (T2 GOLF)	
		3" FLOW METER FOR BORREGO	
		SPRINGS RESORT INVENTORY	
		3/4 " METERS FOR INVENTORY	6,566.60
19183	05/28/14	McDOUGAL LOVE ECKIS	
		PROFESSIONAL SERVICES THROUGH	

BORREGO WATER DISTRICT
FOR BOARD CONSIDERATION AND APPROVAL
MAY 31, 2014

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
		APRIL 30, 2014	1,127.04
19230	06/11/14	NAPA AUTO PARTS INC	
		VEHICLE SUPPLIES	157.03
19243	06/16/14	PACIFIC PIPELINE SUPPLY INC	
		INVENTORY SPARE PARTS/FITTINGS	1,064.43
19231	06/11/14	PHIBBS, JOHN	
		REFUND ACCT# 0301354	61.81
19175	05/20/14	PUBLIC EMP'S RETIREMENT SYSTEM	
		RETIREMENT BENEFITS	
		PE: 5/1/14 - 5/15/14	7,582.23
19213	06/03/14	PUBLIC EMP'S RETIREMENT SYSTEM	
		CALPERS RETIREMENT	7,582.23
19176	05/20/14	PITNEY BOWES/PURCHASE POWER	
		POSTAGE	1,200.00
19177	05/20/14	QUILL CORPORATION	
		OFFICE SUPPLIES	616.82
19232	06/11/14	QUILL CORPORATION	
		OFFICE SUPPLIES	
		OFFICE SUPPLIES	238.21
19240	06/12/14	RAFTELIS FINANCIAL	
		PROFESSIONAL SERVICES	2,965.00
19214	06/03/14	RAMONA DISPOSAL SERVICE	
		TRASH SERVICES	
		CLUB CIRCLE, OFFICE, MAINT.	3,184.50
19215	06/03/14	RECORDER/COUNTY CLERK'S OFFICE	
		RELEASE OF LIEN 3-0023-1	13.00
19184	05/28/14	RSIS, INC.	
		FLUME FLOW METER	3,160.90
19185	05/28/14	SAN DIEGO GAS & ELECTRIC	
		ELECTRICITY CHARGES	43,476.74
19186	05/28/14	SECAP FINANCE	
		POSTAGE MACHINE LEASE	137.49
19187	05/28/14	STATE OF CALIFORNIA	
		FILING FEE FOR TAX YR 6/30/13	10.00
19178	05/20/14	SUNSET ELECTRIC POWER	
		8" CLA VAL REPAIR FOR T2 GOLF	
		AT R TANK-1	1,877.09
19188	05/28/14	SUNSET ELECTRIC POWER	
		WIRE SOLENOID FOR 8" CLA-VAL A	
		AT R TANK & ID1-12 SERVICE	
		4" DEEP WELL VALVE	
		8" & 6" CLA-VAL REPAIR FOR	
		T2 GOLF AT BOOSTER STA 2	2,629.82
19241	06/12/14	SYNECO SYSTEMS, INC	
		BIOLOGIC FOR ODOR CONTROL	937.62
19233	06/11/14	UNDERGROUND SERVICE ALERT	
		DIG ALERTS	13.50
19216	06/03/14	UNITED STATES	
		PARTIAL BILLING	
		EXPENSES FOR 7/1/13 - 9/30/13	39,204.26
19234	06/11/14	UNITED STATES	
		PARTIAL BILLING	
		10/1/13 - 03/31/14	17,358.66
19235	06/11/14	VERIZON WIRELESS	

BORREGO WATER DISTRICT
 FOR BOARD CONSIDERATION AND APPROVAL
 MAY 31, 2014

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
		EMERGENCY CELL PHONES	76.24
19236	06/11/14	WENDY QUINN RECORDING SERVICES	130.00
		TOTAL	----- 242,865.15 =====

Borrego Water District Management Report – June 2014

By: Jerry Rolwing

FEDERAL LEVEL

U.S. Geological Survey: Final report expected by the end of the calendar year.

U.S. Bureau of Reclamation: Final report expected summer 2014.

STATE LEVEL

The Department of Water Resources (DWR) has announced a Water-energy grant opportunity (attachment A). This may be utilized for the District's groundwater management plan projects and deserves a review.

The DWR also has released the CASGEM Statewide Basin Ranking (attachment B). This ranking sets the priority for how the State proceeds with programs for basins in overdraft. The Borrego Valley has a medium ranking. Low population kept the basin from being ranked a high level. There were no high rankings in the Colorado River Hydrologic Region.

The District has submitted the semi-annual water level data to the DWR CASGEM program. One well in the program, ID1-1, has been sold to Rams Hill and the program will need to be amended with an additional well that is acceptable to the DWR Staff.

The California-Nevada Section of the American Water Works Association (AWWA) has released a draft statewide discharge permit for drinking water systems (attachment C). The State Water Resources Control Board will be requiring a permit for distribution system dewatering and flushing which includes unplanned emergency pipeline breaks. I participated in a member comment conference call and AWWA will submit comments to extend the comment period and include a series of Statewide workshops to keep this from "sliding under the door" without public involvement.

COUNTY LEVEL

District legal counsel, Morgan Foley and I had a conference call with County Dept. of Planning and Development Services and County Counsel on the water credit process. Documentation was set on the process (attachment D) and all parties agreed to the process. I am presently drafting a letter to the County Staff to amend the County Groundwater Ordinance and Memorandum of Understanding with BWD on the future implementation of the water credit program.

LOCAL LEVEL

Attended and assisted in answering questions at the Borrego Water Coalition Public meeting held June 12th. The meeting presented an overview of the Coalition's efforts to create policy recommendations to the Borrego Water District Board in accordance with the Groundwater Management Plan Update. The

Coalition will submit their recommendations in October for District review and will be featured in the Fall Groundwater Management Workshops for public comments.

DISTRICT LEVEL

Several years ago, the District was working with the De Anza Country Club on a project to install water flow meters on their two production wells. The project met with opposition with the Club members and although the meters were purchased, the project did not proceed. Several weeks ago the Club agreed to go ahead with the program and the meters were provided for the wells to be monitored. The flow meters will be read on a monthly basis by District staff to monitor extraction of the two wells.

As per the Rams Hill/BWD water agreement, the spare capacity announcement was submitted to T2 Borrego prior to the June 15th deadline. T2 has responded and will accept 350 acre feet over the next Fiscal Year in accordance with the agreement.

Repairs to well ID1-16 should be completed in early July to provide water to the Rams Hill Golf Course, and provide additional reliability to the southern portion of ID-4.

Construction water is being sold to the Desert Green Solar Project as per the County's Major Use Permit for the project. This project was approved by the County, despite concerns by the Borrego Springs Sponsor Group. The previous solar project was allowed to use private well water for both construction and maintenance with no local approval. The Desert Green Project obtained water credits and is paying for District water at construction rates.

Water-Energy Grant Program Guidelines and Proposal Solicitation Package

I. INTRODUCTION

The purpose of the 2014 Water-Energy Guidelines is to establish the process that DWR will use to solicit and evaluate proposals, award grants, and assist applicants who apply for grant funding to support the implementation of residential, commercial, and institutional water efficiency programs or projects that reduce GHG emissions and also reduce water and energy use.

This document provides a framework for grant applicants and DWR to follow to ensure the grant solicitation and award process is fair and transparent. It also contains detailed information on the proposal requirements. The proposal solicitation, review, and selection process is a one-step process.

II. FUNDING

The funding for this program was approved by the Governor on March 1, 2014 through Senate Bill (SB) 103, Section 11 (2013-2014 Reg. Sess.), which appropriated funds from the Greenhouse Gas Reduction Fund (Health and Safety Code §39710 *et seq.*) to DWR to establish a grant program. The maximum available funding through the 2014 Water-Energy grants solicitation is \$19 million. The maximum allowable grant award is \$2.5 million per proposal. A proposal is a project or suite of projects or actions that are proposed for funding. A project is an action that may be the construction of physical facilities or implementation of non-structural actions.

For the 2014 Water-Energy grant solicitation, DWR will not mandate a minimum cost share contribution. However, applicants are required to document all costs and funding sources necessary to complete the scope of work (e.g. federal, local or other funds, or in-kind services) if the project costs exceed the maximum grant amount.

III. ELIGIBILITY REQUIREMENTS

ELIGIBLE GRANT APPLICANTS

Eligible applicants are local agencies, joint powers authorities, or nonprofit organizations, as defined in Appendix B.

ELIGIBILITY COMPLIANCE CRITERIA

Applicants and all parties that receive funds from the Water-Energy grant program must meet all relevant compliance requirements listed below in order to be considered for funding. In addition, continued compliance with eligibility requirements will be an obligation of the grant agreement. Compliance information and certification forms may be found at the associated websites listed in Appendix A.

URBAN WATER MANAGEMENT

Applicants, who are urban water suppliers must provide documentation that they are in compliance with the following requirements:

Urban Water Management Planning Act: Water suppliers who are subject to the Urban Water Management Planning Act (Water Code §10610 *et seq.*) must have submitted their 2010 UWMP to DWR, and received DWR confirmation that the UWMP addressed the requirements of the Urban Water Management Planning Act, in order to receive a grant award. *Note to Urban Water Suppliers: The 2015 UWMPs are due to be submitted to DWR by December 31, 2015.*

Demand Management Measures: AB 1420 (Stats. 2007, Chapter 628) conditions the receipt of a water management grant or loan, for urban water suppliers, on the implementation of water demand management measures described in *July 2014 Draft Water Energy Guidelines & PSP 8 of 30*

Water Code §10631. DWR has determined that implementation of the California Urban Water Conservation Council best management practices (BMPs) will fulfill the requirements of AB 1420. An urban water supplier may be eligible for a 2014 Water-Energy grant if it demonstrates that it has implemented or scheduled, or is in the process of implementing or scheduling, the implementation of BMPs. Urban water suppliers applying to use grant funds for implementation of BMPs must ensure they have submitted all the necessary information to DWR's Water Use and Efficiency Branch. Additional information can be found at DWR's Water Use Efficiency website listed in Appendix A.

Water Meter Requirements: Water Code §529.5 requires any urban water supplier applying for State grant funds for wastewater treatment projects, water use efficiency projects, drinking water treatment projects, or for a permit for a new or expanded water supply, shall demonstrate that they meet the water meter requirements in Water Code §525 *et seq.*

GROUNDWATER MANAGEMENT

For projects that directly affect groundwater levels or quality, the applicant must demonstrate that the project and the applicant are consistent with the following. To demonstrate consistency please submit: **Groundwater Management Plan (GWMP):** For groundwater projects or for other projects that directly affect groundwater levels or quality, the applicant must submit a self-certification form documenting compliance with Water Code §10753 as well as the GWMP related to the project area. In addition, the applicant will need to explain how the project is consistent with the GWMP provisions.

California Statewide Groundwater Elevation Monitoring (CASGEM): Water Code §10920 *et seq.* establishes a groundwater monitoring program designed to monitor and report groundwater elevations in all or part of a basin or sub-basin. DWR has prioritized groundwater basins and established CASGEM monitoring entities. The link to information on the requirements of the CASGEM Program can be found in Appendix A.

For those high and medium priority basins that do not have a CASGEM monitoring entity, grant applicants that match the list of potential monitoring entities identified in Water Code §10927, along with counties whose jurisdictions include unmonitored high and medium priority basins, will not be eligible for a 2014 Water-Energy grant award pursuant to Water Code §10933.7(a). Consistent with Water Code §10933.7(b), if the entire service area of the grant applicant is demonstrated to be a disadvantaged community (DAC), as defined in Appendix B, the proposal will be considered eligible for grant funding notwithstanding CASGEM compliance.

SURFACE WATER DIVERSION

A diverter of surface water is not eligible for a water grant or loan awarded or administered by the State unless it complies with surface water diversion reporting requirements outlined in Part 5.1 (commencing with §5100) of Division 2 of the Water Code. More information regarding the Surface water diversion reporting requirements can be found at the State Water Resources Control Board (SWRCB) website listed in Appendix A.

AGRICULTURE WATER MANAGEMENT

Agricultural water suppliers who are subject to the water conservation requirements outlined in Part 2.55 (commencing with §10608) of Division 6 of the Water Code, must have submitted their 2012 Agricultural Water Management Plan (AWMP) to DWR, and received DWR confirmation that the AWMP addressed the Program requirements, in order to receive a grant award. *Note to Agricultural Water Suppliers: The 2015 AWMPs are due to be submitted to DWR by December 31, 2015.*

ELIGIBLE PROJECT TYPES

To be eligible for 2014 Water-Energy grant funding, proposed water efficiency programs or projects must implement residential, commercial, or institutional water efficiency programs or projects that reduce GHG emissions and also reduce water and energy use. *July 2014 Draft*

To obtain a **Basin Summary Sheet** please access [DWR's Statewide Basin Prioritization Interactive Map](#).

Additionally, please see the table below for Final Basin Prioritization results by Hydrologic Region with percent of groundwater use and overlying population for all alluvial groundwater basins.

Hydrologic Region (HR)	CASGEM Groundwater Basin Ranking					HR Basin Count	Percent of Totals for High & Medium Ranked Basins	
	High Priority	Medium Priority	Low Priority	Very Low Priority	Overlying Population*		GW Use*	
	Ranking Range >21.08	Ranking Range 21.07 – 13.43	Ranking Range 13.42 – 5.75	Ranking Range <5.75				
North Coast	0	8	2	53	63	82%	62%	
San Francisco Bay	0	7	0	26	33	90%	63%	
Central Coast	9	15	0	36	60	97%	90%	
South Coast	13	22	4	34	73	99%	94%	
Sacramento River	5	18	4	61	88	96%	98%	
San Joaquin River	7	2	0	2	11	100%	100%	
Tulare Lake	7	1	1	10	19	99%	98%	
North Lahontan	0	2	3	22	27	12%	55%	
South Lahontan	2	4	4	67	77	84%	96%	
Colorado River	0	5	9	50	64	82%	61%	
Total:	43	84	27	361	515	96%	88%	

Note: *Estimated percentages are based on total groundwater use and population overlying all alluvial groundwater basins in the hydrologic region.

More **detailed information and associated maps** are available for viewing and downloading in either PDF or Microsoft Excel format. Below, you can access the maps and lists for the entire State or for DWR's four regional boundaries. Each dataset is offered in different sorting orders.

CASGEM BASIN SUMMARY

Hydrologic Region: Colorado River
 South Region Office (SRO)
 Basin Area: 153978 acres (240.6 miles)
 2010 Population: 3853

Basin: BORREGO VALLEY
 Sub_Basin: N/A
 Basin Number: 7-24
 Date: 5/30/2014

DATA COMPONENT RANKING VALUE TABLE

Data Component	Ranking Range (R)	Units	Ranking Value	Confidence Adjustment	Average of Components	Adjusted Ranking Values
1. Population	$7 \leq R < 250$	persons/sq-mi	1			1
2. Population Growth	$R < 0$	percent	0			0
3. Public Supply Wells	$0.1 \leq R < 0.25$	wells/sq-mi	2			2
4. Total Wells	$0 < R < 2$	wells/sq-mi	1	0.75		0.75
5. Irrigated Acreage	$1 \leq R < 25$	acres/sq-mi	1			1
6. GW Reliance	GW Use $0.1 \leq R < 0.25$	acre-foot/acre	2		3.5	3.5
	% of Total Supply $R \geq 80\%$	percent	5			
7. Impacts*	--	--	5			5
8. Other Information**	--	--	2			2
Overall Basin Ranking Score	$13.42 \leq R <$	--				15.3

Overall Basin Priority: Medium

Very Low Ranking Range	Low Ranking Range	Medium Ranking Range	High Ranking Range
Range < 5.75	$5.75 \geq \text{Range} < 13.42$	$13.43 \geq \text{Range} < 21.08$	Range ≥ 21.08

Data Sources and Calculation Notes:

1. Population: Department of Finance 2010 census data.
2. Population Growth: Department of Finance 2010 census data projected to 2030.
3. Public Supply Wells: Department of Public Health, 2012 Drinking Water Supply Database.
4. Total Wells: DWR 2012 Well Master database.
5. Irrigated Acreage: DWR, most recent land use projection and public comment feedback.
6. Groundwater Reliance: DWR, most recent land use projection and public comment feedback.
7. Documented Impacts: DWR Region staff review of DWR Bulletin 118-2003, Groundwater Management Plans, public comment feedback, or other readily available published information.
8. Other Information: DWR Region staff review of DWR Bulletin 118-2003, Groundwater Management Plans, public comment feedback, or other readily available published information.
9. Data component values were reduced by 25% due to data confidence, prior to calculating total groundwater basin ranking value.
10. Overall Basin Ranking = Population + Population Growth + Public Supply Wells + (Total Wells x .75) + Irrigated Acreage + (Groundwater Use + % of Total Supply)/2 + Impacts + Other information

Notes on BORREGO VALLEY Basin

- * Impacts: Overdraft conditions over 60 years. Some wells have been abandoned or destroyed due to high nitrates.
- **Other Information: Most demand for basin is concentrated in north in a small area.

[Print](#) | [Close Window](#)

Subject: Statewide NPDES permit & survey
From: "California - Nevada Section, AWWA"<CANVawwa@ca-nv-awwa.org>
Date: Tue, Jun 10, 2014 4:20 pm
To: jerry@borregowd.org

If this email does not display properly, [view the online version](#).
To ensure receipt of this email, please add CaNvAwwa@ca-nv-awwa.org to your address book.



Member Alert

Dear CA-NV AWWA Members,

On Friday, June 6th, SWRCB released a draft statewide discharge permit for drinking water systems. If adopted the general permit would require water purveyors to obtain a National Pollutant Discharge Elimination System (NPDES) permit for discharges from drinking water systems associated with activities mandated by the federal Safe Drinking Water Act and California Health and Safety Code, such as periodic distribution system dewatering and flushing, as well as unplanned emergency discharges, such as water main breaks. A copy of the permit and the associated resolutions can be found on the [SWRCB website](#).

The CA-NV AWWA would like to provide comments to the SWRCB that are representative of our members concerns. The window for comment is 30 days so the quickest way to gather responses is via an online survey. In addition to the survey, we will also try to incorporate comments raised during conference calls. We are coordinating comments through the ad hoc NPDES workgroup, a sub group of the Environmental, Health and Safety Committee. [Greg Buncab](#) of Alameda County Water District and [Brandy Hancocks](#) of Golden State Water Company are coordinating the efforts of the workgroup. If you would like to be included on the NPDES workgroup distribution list, please contact Greg or Brandy. Please click [on this link](#) to provide comments. Please respond to the survey by 5pm on June 20th, 2014.

Due to the diversity of our membership, it may be difficult to draft a comment letter that reflects all concerns so we encourage our members to submit comments directly to the board. CA NV AWWA's comment letter will focus on common concerns amongst the membership received via the online survey and workgroup conference calls.

Important Dates:

June 20th CA-NV AWWA Survey of comments due
Noon on Tuesday **July 8th**, 2014, comments due to SWRCB
July 15th SWRCB public hearing Sacramento

Thank you for your involvement with this critical issue. Your comments and participation in this process are very much needed. Please feel free to forward this email along to colleagues that you might think would be interested in staying informed or participating.

For More Information Please Contact Grace Cardenas, Communications Specialist

CA-NV AWWA | 10435 Ashford St., 2nd Floor | Rancho Cucamonga, CA 91730 | Phone: (909) 481-7200 | Fax: (909) 481-4688

FORWARD TO A FRIEND

To unsubscribe from all CA-NV AWWA emails, [click here](#).



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Steps for Retiring Water Credits

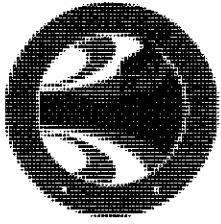
BWD Credits:

Borrego Water District (BWD) water credits are required when adding a new water use in the Borrego Valley. BWD credits are required on all existing platted lots requesting water service and are due with the San Diego County building permit process. Credits are issued after successfully following an existing water use in accordance with the District's "DEMAND OFFSET MITIGATION WATER CREDITS POLICY". Credits issued for BWD purposes only will have the designation of AG-2, 3 or 4 from fallowed agriculture use, and T-2 or 3 from golf course or other large areas of turf. Once all criteria have been satisfied, the water credit certificate, displaying the District's raised seal, is numbered, issued and added to the master list of credits available for purchase. The District maintains a list of "willing sellers", available upon request. The credits are collected and retired when the District signs the customer's "Required Agency Clearance Letter" in accordance with the San Diego County building permit process. Once the credit has been submitted for this purpose, the credit is retired, and noted as being so, on the District's master list database. This retired water credit no longer holds any value.

San Diego County Credits:

San Diego County water credits are required when adding a new water use in the Borrego Valley and must meet the criteria established through the County Groundwater Ordinance and Memorandum of Agreement with the Borrego Water District. County credits must also follow the guidelines of BWD's "DEMAND OFFSET MITIGATION WATER CREDITS POLICY". Credits issued for County purposes only, will have the designation of AG-1 from fallowed agriculture use, and T-1 from golf course or other large areas of turf. Once all criteria have been satisfied, the water credit certificate, displaying the District's raised seal, is numbered, issued and added to the master list of credits available for purchase. If these particular water credits are a portion of another water credit certificate, the previous credit certificate will reflect the reduction of the total amount of water credits available on that certificate. A copy of the previous certificate showing the reduction will be provided for submission to the County. In addition, the purchaser of a County Approved water credit will be issued a "bill of sale". The three documents required to be submitted to San Diego County are:

- Bill of Sale from the Borrego Water District
- Official water credit certificate with raised BWD seal marked "retired"
- Copy of water credit certificate reflecting the transfer of credits to be retired



BORREGO WATER DISTRICT

May 2014

WATER OPERATIONS REPORT

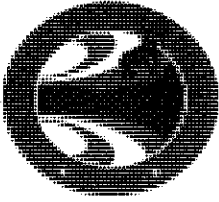
WELL	TYPE	FLOW RATE	STATUS	COMMENT
ID1-1	Irrigation	150	Standby	SOLD
ID1-2	Irrigation	150	Standby	SOLD
ID1-8	Production	350	In Use	
ID1-10	Production	300	In Use	
ID1-12	Production	950	In Use	
ID1-16	Production	950	Out of Service	
Wilcox	Production	150	In Use	Diesel backup well for ID-4
ID4-4	Production	350	In Use	
ID4-10	Production	80	In Use	
ID4-11	Production	1000	In Use	Diesel engine drive exercised monthly
ID4-18	Production	250	In Use	
ID5-5	Production	900	In Use	Diesel engine drive exercised monthly

System Problems: ID1-Well 16 is scheduled to be back on line around the end of June.
All other Production Wells and reservoirs are in operating condition.

WASTEWATER OPERATIONS REPORT

Rams Hill Water Reclamation Plant serving ID-1, ID-2 and ID-5 Total Cap. 0.25 MGD (million gallons per day):

Average flow: 64,548 (gallons per day)
Peak flow: 88,616 gpd Monday May 12, 2014



BORREGO WATER DISTRICT

WATER PRODUCTION SUMMARY

May 2014

DATE	ID-1	ID-3	ID-4	ID-5	DISTRICT-WIDE TOTALS
Jun-12	31.57	13.84	133.24	5.36	184.01
Jul-12	33.18	14.27	135.30	6.36	189.11
Aug-12	42.43	17.76	157.68	6.35	224.22
Sep-12	27.60	12.72	117.15	3.14	160.61
Oct-12	33.21	12.41	122.78	29.77	198.17
Nov-12	36.38	11.13	100.49	0.00	148.00
Dec-12	20.41	8.54	101.89	0.00	130.84
Jan-13	15.18	10.21	103.59	2.05	131.03
Feb-13	11.65	9.60	76.50	2.26	100.01
Mar-13	10.26	8.33	85.01	4.54	108.14
Apr-13	12.26	10.88	135.54	7.10	165.78
May-13	22.86	11.86	118.08	5.37	158.17
Jun-13	26.59	12.71	133.18	2.86	175.34
Jul-13	27.81	14.19	153.49	2.42	197.91
Aug-13	27.96	13.26	123.17	2.45	166.84
Sep-13	30.51	11.16	117.30	0.92	159.89
Oct-13	29.63	10.86	137.93	4.34	182.76
Nov-13	21.45	11.58	113.46	5.28	151.77
Dec-13	16.85	6.75	89.16	3.48	116.24
Jan-14	12.51	7.44	99.13	4.12	123.20
Feb-14	20.59	6.37	90.06	3.81	120.83
Mar-14	34.62	6.90	89.53	3.93	134.98
Apr-14	29.52	8.32	118.08	6.35	162.27
May-14	72.93	8.46	111.16	5.15	197.70
12 Mo. TOTAL	350.97	118.00	1375.65	45.11	1889.73

Totals reflect individual improvement district usage. Interties from ID-3 and ID-5 have been subtracted from well pumpage totals and applied to respective ID's. All figures in Acre Feet of water pumped or recorded on intertie meters.

WATER LOSS SUMMARY (%)

DATE	ID-1	ID-3	ID-4	ID-5	DISTRICT-WIDE AVERAGE
Mar-14	-1.90	0.35	11.01	N/A	3.15
12 Mo. Average	4.12	1.58	12.53	N/A	6.08

BORREGO WATER DISTRICT
 Water Production / Use Records
 ID # 1
 Month of May 2014

----- Water Production (Acre Feet) -----									
Date	Well 1	Well 2	Well 8	Well 10	Well 12	Well 16	Total	Tot-W1&2	Tot-ID3&4
MAY'13	0.00	0.00	0.00	0.00	34.72	0.00	34.72	34.72	22.86
JUN'13	0.00	0.00	6.78	0.04	32.48	0.00	39.30	39.30	26.59
JUL'13	0.00	0.00	0.02	7.16	34.82	0.00	42.00	42.00	27.81
AUG'13	0.00	0.00	0.08	13.53	27.61	0.00	41.22	41.22	27.96
SEP'13	0.00	0.00	1.00	10.35	30.32	0.00	41.67	41.67	30.51
OCT'13	0.00	0.00	0.06	11.21	29.22	0.00	40.49	40.49	29.63
NOV'13	0.00	0.00	0.00	11.99	21.04	0.00	33.03	33.03	21.45
DEC'13	0.00	0.00	0.94	7.26	15.40	0.00	23.60	23.60	16.85
JAN'14	0.00	0.00	0.00	0.09	19.86	0.00	19.95	19.95	12.51
FEB'14	0.00	0.00	0.20	8.03	18.73	0.00	26.96	26.96	20.59
MAR'14	5.35	6.74	0.00	27.26	17.92	0.00	57.27	45.18	50.37
APR'14	0.00	0.00	0.07	32.69	31.33	0.00	64.09	64.09	55.77
MAY'14	24.66	25.30	1.52	27.76	43.65	0.00	122.89	72.93	114.43
TOTALS	30.01	32.04	10.67	157.37	322.38	0.00	552.47	490.42	434.47

----- Water Use (Acre Feet) -----										
Date	Domestic	Irrigat'n	Constrt'n	Golf Course	Golf Spare Cap	ID 3	ID 4	Total	Water Loss	% Loss
MAY'13	9.49	7.03	0.00	0.00	0.00	11.86	0.00	28.38	6.34	18.26%
JUN'13	10.00	10.56	0.00	0.00	0.00	12.71	0.00	33.27	6.03	15.33%
JUL'13	11.06	15.99	0.00	0.00	0.00	14.19	0.00	41.24	0.76	1.76%
AUG'13	11.19	18.22	0.00	0.00	0.00	13.26	0.00	42.67	-1.45	-3.51%
SEP'13	10.18	18.81	0.00	0.00	0.00	11.16	0.00	40.15	1.52	3.64%
OCT'13	11.12	13.31	0.06	0.00	0.00	10.86	0.00	35.35	5.14	12.69%
NOV'13	9.63	10.24	0.00	0.00	0.00	11.58	0.00	31.45	1.58	4.80%
DEC'13	8.09	7.67	0.00	0.00	0.00	6.75	0.00	22.51	1.09	4.62%
JAN'14	8.40	8.29	0.00	0.00	0.00	7.44	0.00	24.13	-4.18	-20.90%
FEB'14	6.66	5.11	0.00	0.00	6.00	6.37	0.00	24.14	2.82	10.46%
MAR'14	6.88	4.98	1.88	3.62	15.75	6.90	0.00	40.01	5.17	11.43%
APR'14	9.20	8.32	1.90	6.96	26.25	8.32	0.00	60.95	3.14	4.90%
MAY'14	8.85	8.90	0.19	10.21	37.71	8.46	0.00	74.32	-1.39	-1.90%
TOTALS	111.26	130.40	4.03	20.79	85.71	118.00	0.00	470.19	20.23	4.12%

BORREGO WATER DISTRICT
 Water Production / Use Records
 ID # 3
 Month of May 2014

Date	La Casa del Zorro Total Acre Feet		Deep Well Trail / Others Acre Feet			Total Irrigat'n	Total Domestic	Total Acre Feet
	Irrigat'n	Domestic	Irrigat'n	Domestic	Total			
MAY'13	0.83	5.16	0.08	5.89	5.97	0.91	11.05	11.96
JUN'13	1.06	5.21	0.15	6.06	6.21	1.21	11.27	12.48
JUL'13	1.08	6.31	0.11	6.36	6.47	1.19	12.67	13.86
AUG'13	1.10	5.74	0.03	5.98	6.01	1.13	11.72	12.85
SEP'13	0.93	4.67	0.03	5.36	5.39	0.96	10.03	10.99
OCT'13	1.17	4.50	0.06	4.96	5.02	1.23	9.46	10.69
NOV'13	0.59	3.28	0.12	6.84	6.96	0.71	10.12	10.83
DEC'13	0.20	3.22	0.10	3.77	3.87	0.30	6.99	7.29
JAN'14	0.00	2.60	0.12	4.65	4.77	0.12	7.25	7.37
FEB'14	0.00	2.04	0.04	4.15	4.19	0.04	6.19	6.23
MAR'14	0.00	3.02	0.08	3.78	3.86	0.08	6.80	6.88
APR'14	0.00	3.37	0.06	4.80	4.86	0.06	8.17	8.23
MAY'14	0.00	3.24	0.04	5.15	5.19	0.04	8.39	8.43
TOTALS	6.13	47.20	0.94	61.86	62.80	7.07	109.06	116.13

Date	Water Produced Acre Feet	Water Delivered Acre Feet	Wtr Loss	% Loss
MAY'13	11.86	11.96	- .10	- .84%
JUN'13	12.71	12.48	0.23	1.81%
JUL'13	14.19	13.86	0.33	2.33%
AUG'13	13.26	12.85	0.41	3.09%
SEP'13	11.16	10.99	0.17	1.52%
OCT'13	10.86	10.69	0.17	1.57%
NOV'13	11.58	10.83	0.75	6.48%
DEC'13	6.75	7.29	- .54	-8.00%
JAN'14	7.44	7.37	0.07	0.94%
FEB'14	6.37	6.23	0.14	2.20%
MAR'14	6.90	6.88	0.02	0.29%
APR'14	8.32	8.23	0.09	1.08%
MAY'14	8.46	8.43	0.03	0.35%
TOTALS	118.00	116.13	1.87	1.58%

BORREGO WATER DISTRICT
 Water Production / Use Records
 ID # 4
 Month of May 2014

----- Water Production (Acre Feet) -----											
Date	Well 2	Well 3	Well 4	Well 5	Well 10	Well 11	Well 18	Wilcox	Well 85	Total	Less ID5
MAY'13	0.00	0.00	0.09	13.14	9.40	96.00	4.82	0.00	0.00	123.45	118.08
JUN'13	0.00	0.00	0.88	16.22	9.52	102.65	6.02	0.75	0.00	136.04	133.18
JUL'13	0.00	0.00	10.28	19.46	11.12	114.63	0.04	0.38	0.00	155.91	153.49
AUG'13	0.00	0.00	3.08	11.83	9.31	98.37	3.03	0.00	0.00	125.62	123.17
SEP'13	0.00	0.00	0.00	7.60	9.42	95.61	4.33	0.34	0.00	117.30	116.38
OCT'13	0.00	0.00	0.09	12.89	10.69	113.95	4.64	0.01	0.00	142.27	137.93
NOV'13	0.00	0.00	0.22	10.85	9.41	93.97	4.29	0.00	0.00	118.74	113.46
DEC'13	0.00	0.00	15.89	5.63	9.26	59.13	2.32	0.41	0.00	92.64	89.16
JAN'14	0.00	0.00	53.25	6.89	10.82	29.03	3.24	0.02	0.00	103.25	99.13
FEB'14	0.00	0.00	45.47	6.06	9.34	29.74	3.26	0.00	0.00	93.87	90.06
MAR'14	0.00	0.00	42.13	6.11	8.97	33.10	3.12	0.03	0.00	93.46	89.53
APR'14	0.00	0.00	52.05	10.17	10.42	47.59	4.20	0.00	0.00	124.43	118.08
MAY'14	0.00	0.00	43.37	10.03	8.83	50.44	3.64	0.00	0.00	116.31	111.16
TOTALS	0.00	0.00	266.71	123.74	117.11	868.21	42.13	1.94	0.00	1419.84	1374.73

Date	Water Produced Acre Feet	Water Use Acre Feet	Wtr Loss	% Loss	ID 5 Acre Feet
MAY'13	123.45	110.01	13.44	10.89%	5.37
JUN'13	136.04	116.01	20.03	14.72%	2.86
JUL'13	155.91	130.17	25.74	16.51%	2.42
AUG'13	125.62	111.32	14.30	11.38%	2.45
SEP'13	117.30	98.62	18.68	15.92%	0.92
OCT'13	142.27	120.85	21.42	15.06%	4.34
NOV'13	118.74	105.25	13.49	11.36%	5.28
DEC'13	92.64	86.53	6.11	6.60%	3.48
JAN'14	103.25	92.51	10.74	10.40%	4.12
FEB'14	93.87	83.57	10.30	10.97%	3.81
MAR'14	93.46	82.62	10.84	11.60%	3.93
APR'14	124.43	111.41	13.02	10.46%	6.35
MAY'14	116.31	103.52	12.79	11.00%	5.15
TOTALS	1419.84	1242.38	177.46	12.50%	45.11