MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, OCTOBER 26, 2020:

A regular meeting of the Board of Directors of the Palmdale Water District was held Monday, October 26, 2020, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office and via teleconference. President, Vincent Dino, called the meeting to order at 6:00 p.m.

1) Pledge of Allegiance/Moment of Silence in Honor of Former AVEK Director Andy Rutledge.

At the request of President Dino, Director Wilson led the pledge of allegiance followed by a moment of silence in honor of former AVEK Director Andy Rutledge.

2) Roll Call.

Attendance:
Vincent Dino, President
Kathy Mac Laren, Vice President
Gloria Dizmang, Treasurer
Don Wilson, Secretary
Robert Alvarado, Assistant Secretary

Others Present:
Dennis LaMoreaux, General Manager
Eric Dunn, General Counsel
Colin Tanner, Special Counsel (via teleconf.)
Adam Ly, Assistant General Manager
Mike Williams, Finance Manager (via teleconf.)
Judy Shay, Public Affairs Director
Jennifer Emery, Human Res. Dir. (via teleconf.)
Chris Bligh, Facilities Manager
Scott Rogers, Eng./Grant Mngr. (via teleconf.)
Peter Thompson Jr, Res. & Analy. Dir. (via teleconf.)
Bob Egan, Financial Advisor (via teleconf.)
Dawn Deans, Executive Assistant (via teleconf.)
1 member of the public

3) Adoption of Agenda.

It was moved by Director Mac Laren, seconded by Director Dizmang, and unanimously carried by all members of the Board of Directors present at the meeting on the following roll call vote to adopt the agenda, as written:

President Dino – aye
Director Mac Laren – aye
Director Dizmang – aye
Director Wilson – aye
Director Alvarado – aye

4) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

5) Presentations:

5.1) None at This Time.

There were no presentations.

6) Action Items – Consent Calendar: (The Public Shall Have an Opportunity to Comment on Any Action Item on the Consent Calendar as the Consent Calendar is Considered Collectively by the Board of Directors Prior to Action Being Taken.)

6.1) Approval of Minutes of Regular Board Meeting Held October 12, 2020.

6.2) Payment of Bills for October 26, 2020.

President Dino announced the items included in the Consent Calendar after which it was moved by Director Mac Laren, seconded by Director Wilson, and unanimously carried by all members of the Board of Directors present at the meeting on the following roll call vote to approve those items included in the Consent Calendar:

President Dino – aye
Director Mac Laren – aye
Director Dizmang – aye
Director Wilson – aye
Director Alvarado – aye

7) Action Items - Action Calendar (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Board of Directors Prior to Action Being Taken.)

7.1) Consideration and Possible Action on Updating Appendix Q of the Palmdale Water District's Rules and Regulations by Rescinding Resolution No. 91-14 and Replacing Same With Resolution No. 20-17 being a Resolution of the Board of Directors of the Palmdale Water District Adopting a Comprehensive Employer-Employee Relations Resolution Pertaining to Communications and Labor Relations

Between the District, its Employees and its Employee Organizations. (No Budget Impact – Human Resources Director Emery/General Counsel Dunn)

Human Resources Director Emery provided an overview of Resolution No. 20-17 after which it was moved by Director Alvarado, seconded by Director Wilson, and unanimously carried by all members of the Board of Directors present at the meeting on the following roll call vote to update Appendix Q of the Palmdale Water District's Rules and Regulations by rescinding Resolution No. 91-14 and replacing same with Resolution No. 20-17 being a Resolution of the Board of Directors of the Palmdale Water District Adopting a Comprehensive Employer-Employee Relations Resolution Pertaining to Communications and Labor Relations Between the District, its Employees and its Employee Organizations:

President Dino – aye
Director Mac Laren – aye
Director Dizmang – aye
Director Wilson – aye
Director Alvarado – aye

Resolution No. 20-17 is hereby made a portion of the minutes of this meeting.

7.2) Consideration and Possible Action on Second Amendment to Cooperative Agreement Between the City of Palmdale, Antelope Valley-East Kern Water Agency, Palmdale Water District, and Los Angeles County Waterworks District No. 40 Antelope Valley, to Design, Construct, Operate and Maintain the Upper Amargosa Creek Flood Control, Recharge and Habitat Restoration Project. ($720,579 – Budgeted – General Manager LaMoreaux)

General Manager LaMoreaux provided an overview of the Second Amendment to the Cooperative Agreement regarding the Upper Amargosa Creek Flood Control, Recharge, and Habitat Restoration Project, and after a brief discussion of this Project, it was moved by Director Dizmang, seconded by Director Mac Laren, and unanimously carried by all members of the Board of Directors present at the meeting on the following roll call vote to approve the Second Amendment to the Cooperative Agreement Between the City of Palmdale, Antelope Valley-East Kern Water Agency, Palmdale Water District, and Los Angeles County Waterworks District No. 40 Antelope Valley, to Design, Construct, Operate and Maintain the Upper Amargosa Creek Flood Control, Recharge and Habitat Restoration Project in the not-to-exceed amount of $720,579:

President Dino – aye
Director Mac Laren – aye
Director Dizmang – aye
Director Wilson – aye
Director Alvarado – aye

7.3) Consideration and Possible Action on Adopting Resolution No. 20-18 Being a Resolution of the Board of Directors of the Palmdale Water District (1) Authorizing Amendments to the Palmdale Water District's Long Term Water Supply Contract With the Department of Water Resources to Supplement and Clarify Water Management Tools Regarding Transfers and Exchanges of SWP Water; and (2) Making Responsible Agency Findings Pursuant to the California Environmental Quality Act for the Final Environmental Impact Report for the State Water Project Supply Contract Amendments for Water Management, and Adopting CEQA Findings and Statement of Overriding Considerations. (No Budget Impact – Resource and Analytics Director Thompson Jr.).

Resource and Analytics Director Thompson Jr. provided an overview of Resolution No. 20-18 and of water transfer opportunities after which it was moved by Director Mac Laren, seconded by Director Wilson, and unanimously carried by all members of the Board of Directors present at the meeting on the following roll call vote to adopt Resolution No. 20-18 being a Resolution of the Board of Directors of the Palmdale Water District (1) Authorizing Amendments to the Palmdale Water District's Long Term Water Supply Contract with the Department of Water Resources to Supplement and Clarify Water Management Tools Regarding Transfers and Exchanges of SWP Water; and (2) Making Responsible Agency Findings Pursuant to the California Environmental Quality Act for the Final Environmental Impact Report for the State Water Project Supply Contract Amendments for Water Management, and Adopting CEQA Findings and Statement of Overriding Considerations:

President Dino – aye
Director Mac Laren – aye
Director Dizmang – aye
Director Wilson – aye
Director Alvarado – aye

Resolution No. 20-18 is hereby made a portion of the minutes of this meeting.

7.4) Consideration and Possible Action on Authorization of the Following Conferences, Seminars, and Training Sessions for Board and Staff Attendance Within Budget Amounts Previously Approved in the 2020 Budget:

a) None at This Time.

There were no conferences, seminars, or training sessions to consider.

8) Information Items:

8.1) Finance Reports:

a) Status Report on Cash Flow Statement and Current Cash Balances as of September 2020. (Financial Advisor Egan/Finance Committee)

Financial Advisor Egan provided an overview of the September 2020 Major Account Activity Report and Investment Funds Report, including the scheduled decrease in cash due to bond principal and interest payments; the quarterly Major Account Activity Report, including capital improvement funds received; the Cash Flow Statement, including anticipated expenses, 2020 carryover items, anticipated Capital Improvement Funds, and the projected year-end balance; and stressed the importance of maintaining a $10 million year-end balance and commended the District's bond team on the recent bond refunding issue.

b) Status Report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for September 2020. (Finance Manager Williams/Finance Committee)

Finance Manager Williams reviewed in detail the balance sheet, profit and loss statement and trends, and revenue and expense analysis reports for the period ending September 2020 and stated that most departments are operating at or below the targeted expenditure percentage of 75% with the exception of Facilities due to personnel cost overruns and electricity costs for wells and boosters, Operations due to miscoding of invoices, which is being corrected, and Customer Care due to under-budgeting for health insurance costs.

c) Status Report on Committed Contracts Issued. (Finance Manager Williams/Finance Committee)

Finance Manager Williams provided an overview of the Contractual Commitments and Needs Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and the payout summary for the Water Revenue Bond Series 2018A through September 2020.

d) Other Financial Reports. (Finance Manager Williams/Finance Committee)

1) Effect of COVID-19 Event.

Finance Manager Williams stated that due to COVID-19 events, as of September 30, there were 1,119 single family accounts with a balance of $50 or more and over sixty days past due with a total past due amount of $475,744, compared to 653 accounts at June 30 with an outstanding balance of $220,780, and that cash received for September 2020 was $300,714, or 12.2% higher than August 2020, 16.49% higher than July 2020, and 12.22% higher than September 2019 followed by discussion of liens now being placed on larger delinquent accounts and the effect of delinquencies on the 2021 Budget.

2) Revenue Projections.

He then stated that revenue is ahead of projections by approximately $965,000.00.

3) Payment Transactions by Type.

He then stated that the third quarter shows a reduction in total payments but a huge increase in the use of electronic payments.

4) Accounts Receivable Aging Report.

He then stated that as of September 30, 2020, receivables are $562,000 higher than September 30, 2019 reflective of higher water sales with an increase of 60-day delinquencies from 2019 to 2020.

5) Rate Assistance Program Status.

He then stated that as of September 30, 2020, there were 754 participants in the Rate Assistance Program with 405 seniors, nine veterans, and 340 low income.

6) Billing and Collection Statistics.

He then stated that as of August 31, 2020, there was a slight increase in bills issued and a slight decrease in notices mailed compared to August 2019.

7) Status on Refunding 2020A Series Taxable Water Revenue Bonds.

He then stated that a successful sale was held for the 2020A Series Taxable Water Revenue Bonds refunding a total amount of $14.555 million with a savings of 6.325% and an annual interest savings of $67,000 and also commended the District's bond team on this bond issue after which Director Wilson stated that he has been impressed since day one with how well the District's finances are handled.

8.2) Reports of Directors:

a) Meetings; Standing Committee/Assignment Reports; General Report.

Director Alvarado reported that on October 6, he attended a Fin and Feather Club briefing; that on October 8, he attended a Board briefing; that on October 20, he attended a Fin and Feather Club briefing; that on October 21, he attended the District's Imagine a Day Without Water event; and that on October 22, he attended a Board briefing.

Director Mac Laren reported that on October 8, she and President Dino attended the Antelope Valley State Water Contractors Association meeting; that on October 19, she attended the Antelope Valley Watermaster Public Water Supplier teleconference meeting; and that on October 22, she attended a Board briefing.

Director Dizmang reported that on October 12, she attended the Palmdale Water District Regular Board Meeting; that on October 19, she attended a Board briefing; that on October 22, she attended the Finance Committee meeting; and that also on October 22, she attended a Board briefing.

She then reported, as Chair of the Finance Committee, that the Committee discussed the projected year-end balance of $9.7 million with the hope this number will be around $10 million, expenses holding between 69% to 74% of the budget, the 2021 draft Budget, the Debt Service Coverage of 1.76, and the effect of COVID-19 delinquencies on the District's slightly upgraded credit rating.

She then requested an update on the Forest Service's decision to keep the Littlerock Dam area closed after which General Manager LaMoreaux stated that the Angeles National Forest has issued a closure order of the Bobcat fire area, which affects Littlerock Dam, until April 1, 2022.

She then requested an updated annual progress report of District activities emphasizing the positive scope of the District's operations and stated that she received a customer complaint of no notification of their water being off for repairs after which General Manager LaMoreaux stated that he will review the incident.

Director Wilson reported that on September 21, he attended a Finance and Outreach briefing with General Manager LaMoreaux and Assistant General Manager Ly; that on September 22, he attended the Outreach Committee meeting; that on September 24, he attended the Finance Committee meeting; that also on September 24, he attended a Board briefing; that on September 30, he attended an Ad Hoc Committee meeting regarding the Employee Handbook; that on October 8, he attended a Board briefing; that also on October 8, he attended the Antelope Valley State Water Contractors Association meeting; that on October 22, he attended the Finance Committee meeting; that also on October 22, he attended a Board briefing; and that October 26 to 28, he is attending the CSDA Virtual Board Secretary/Clerk Conference and reviewed the topics presented.

He then reported, as Chair of the Outreach Committee, that the Committee reviewed CFEE membership, which was approved by the Board, the Cost Sharing Lobbying Agreement with Reeb Government Relations, and the Strategic Plan brochure. He then commended public affairs staff on a job well done on the brochure and requested Reeb Government Relations provide monthly or quarterly update reports to the Board.

President Dino reported that on October 13, he attended an AVEK Board meeting; that on October 15, he attended an Agenda Review and Approval meeting; that on October 22, he attended a Board briefing; that on October 26, he is attending the Palmdale Water District Regular Board Meeting; and that on October 27, he will be attending an AVEK Board meeting.

8.3) Report of General Manager.

a) October 2020 Written Report of Activities Through September 2020.

General Manager LaMoreaux clarified that the District's overall A- bond rating has been changed from A- Stable to A- Positive and that this change played a large part in the success of the recent bond refunding.

He then stated that he submitted a written report included with the agenda packets if there are any questions and then highlighted the increase in water sales and record low number of leaks.

He then reported that Assistant General Manager Ly is submitting a grant application for the CSDA De-energization Grant Program, a grant application for battery energy storage, and an application for a Hydrogen Demonstration Program, which will work with excess wind energy at the Leslie O. Carter Water Treatment Plant and that a briefing was held last week with the Forest Service regarding the Bobcat fire burn area, their public information packet will be presented to the Board, and staff is developing a response for protecting Littlerock Reservoir this winter and during the closure order.

8.4) Report of General Counsel.

General Counsel Dunn stated that he has no report.

9) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

10) Adjournment.

There being no further business to come before the Board, the meeting was adjourned at 7:02 p.m.

Secretary

APPENDIX Q
PALMDALE WATER DISTRICT RULES AND REGULATIONS

RESOLUTION NO. 20-17
A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ADOPTING A COMPREHENSIVE EMPLOYER-EMPLOYEE RELATIONS RESOLUTION PERTAINING TO COMMUNICATIONS AND LABOR RELATIONS BETWEEN THE DISTRICT, ITS EMPLOYEES AND ITS EMPLOYEE ORGANIZATIONS

WHEREAS, Chapter 10, Division 4, Title 1 of the Government Code of the State of California (Section 3500 *et seq.*), also referred to as the Meyers-Milias-Brown Act ("MMBA"), was enacted for the purpose of promoting full communication and improved employer-employee relations between public employers and their employees by establishing uniform and orderly methods of communication between employees and the public agencies by which they are employed; and

WHEREAS, Government Code Section 3507 empowers a public agency to adopt reasonable rules and regulations for the administration of employer-employee relations, often referred to as an Employer-Employee Relations Resolution, after consultation in good faith with representatives of its employee organizations regarding such proposed rules and regulations; and

WHEREAS, the Palmdale Water District ("District") has a need for updating its Employer-Employee Relations Resolution; and

WHEREAS, there is a need to adopt updated policies and procedures to, *inter alia*, promote full communication between the District and its employees by providing a reasonable method of resolving disputes regarding wages, hours, and other terms of employment, determine appropriate employee units, to recognize employee organizations as representatives of the employees in an employee unit, to provide for changes to appropriate units and/or employee organizations, to establish procedures for the determination of confidential, managerial, and supervisory employees, to account for and incorporate certain statutory impasse rules; and

WHEREAS, the Board of Directors of the District believes that it is in the best interests of the District and its employees to rescind the current Employer-Employee Relations Resolution and adopt a new updated comprehensive Employer-Employee Relations Resolution.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The Board of Directors of the District hereby rescinds Resolution No. 91-14 Resolution of Palmdale Water District to Establish Employer-Employee Relations, Procedures, Rules and Policies and any other prior similar employer-employee relations resolutions.

SECTION 2. That pursuant to the MMBA, the District will administer employer-employee relations according to the following reasonable local rules and regulations:

ARTICLE I. GENERAL PROVISIONS

Section 1.1. Title of Resolution

This Resolution shall be known as the Employer-Employee Relations Resolution of the Palmdale Water District ("District").

Section 1.2. Statement of Purpose

This Resolution is adopted as authorized under Chapter 10, Division 4, Title 1 of the California Government Code (Sections 3500 *et seq.*), entitled the Meyers-Milias-Brown Act ("MMBA"), to provide reasonable, uniform and orderly local procedures for the administration of employer-employee relations between the District and its employees, procedures for the recognition and/or decertification of employee organizations, procedures for determining appropriate units of representation and/or modifying such units, and a reasonable, uniform and orderly method for the resolution of questions regarding wages, hours, and other terms and conditions of employment of District employees. This Resolution rescinds and supersedes all other resolutions pertaining to procedures for the administration of employer-employee relations between the District, its employees and its employee organizations.

Nothing in this Resolution shall be construed to restrict any District rights with respect to matters of general managerial policy, including but not limited to, the exclusive right to determine the mission of its constituent departments, commissions and boards; set standards of service; determine the procedures and standards of selection for employment and promotion; direct its employees; take disciplinary action; relieve its employees from duty because of lack of work or other legitimate reasons; maintain the efficiency of District operations; determine the methods, means, and personnel by which District operations are to be conducted; determine the content of job classifications; take all necessary actions to carry out its mission in emergencies; and exercise complete control and discretion over its organization and the technology of performing in its work.

Section 1.3. Definitions

Except as otherwise specifically provided below, the terms used in this Resolution shall be defined the same as such terms are defined in the MMBA. In addition, the following definitions are adopted for terms used in this Resolution.

A. Appropriate Unit – means a unit established pursuant to Article II of this Resolution.

B. Board – means the Board of Directors of the District.

C. District – means the Palmdale Water District, and where appropriate herein, refers to the District's Board of Directors, the governing body of said District, or any duly authorized representative of the District.

D. Consult or Consultation in Good Faith – means to communicate orally or in writing for the purpose of presenting and obtaining views or advising of intended actions in a good faith effort to reach a consensus; and, as distinguished from meeting and conferring in good faith regarding matters within the required scope of the meet and confer process, does not involve an exchange of proposals and counterproposals in an endeavor to reach agreement in the form of a memorandum of understanding, nor is it subject to Article IV hereof.

E. Employee – means any person employed by the District in a position approved in the District's allocated positions and compensation plan, as approved by the Board, except in a position designated in that plan as temporary.

F. Employee, Confidential – means any employee who is privy to the decisions of District management relative to the District's position on matters concerning employer-employee relations and shall include employees in administrative or secretarial support positions to such employees. The District may designate confidential positions, subject to the procedures in Section 2.2 of this Resolution. (Note, this is distinct from another common use of the term "confidential employee" in public administration that refers to an employee that handles confidential legal or personnel information.) Positions included in the District's position classification plan to be initially deemed to be confidential for the purpose of this resolution are the General Manager, Assistant General Manager, Finance Manager/CFO, and Human Resources Director, with additional positions to be possibly added in the future as provided above.

G. Employee, Management – includes:

1. An employee having significant responsibility for the formulation and/or administration of program objectives and/ or the development of policies and procedures for their accomplishment. Management Employees include, but are not limited to: the General Manager, Assistant General Manager, Finance Manager/CFO, Human Resources Director, Public Affairs Director, Resource & Analytics Director, Facilities Manager, Engineering/Grant Manager, Operations Manager, Information Technology Manager, Construction Supervisor, Maintenance Supervisor, Water Quality/Regulatory Affairs Supervisor, Customer Care Supervisor, Accounting Supervisor, Resource and Analytics Supervisor and Customer Finance Supervisor.

2. Any employee having authority to exercise independent judgment in carrying out District policy to hire, transfer, suspend, lay off, recall, promote, discharge, assign, award or discipline other employees, or having the responsibility to direct them, or to adjust their grievances, or effectively to recommend such action if in connection with the foregoing, the exercise of such authority is not a merely routine and clerical nature, but requires the use of independent judgment.

H. Employee, Professional – means employees engaged in work requiring specialized knowledge and skill attained through completion of a recognized course of instruction, including, but not limited to, attorneys, planners, librarians, analysts, engineers, recreation specialists, teachers and various types of physical, chemical and biological scientists.

I. Employee Organization – means any organization which includes employees of the District, and which has as one of its primary purposes representing such employees in their employment relations with the District.

J. Employer-Employee Relations – means the relationship between the District and its employees and their Employee Organization, or when used in a general sense, the relationship between District management and individual employees or Employee Organizations.

K. Exclusively Recognized Employee Organization – means a sole employee organization certified as the representative of all employees in a unit or units, whether or not those employees are its members, and having the exclusive right and duty to meet and confer in good faith on behalf of said employees concerning statutorily required subjects pertaining to unit employees and thereby assuming the corresponding obligation of fairly representing said employees.

L. Filing Period – means the period between November 1st and December 31st of every year following the adoption of this Resolution during which Employee Organizations may submit petitions to be recognized, decertified, or modified, or the period within which an Employee Organization may propose to modify any existing unit of representation.

M. Fiscal Year – means the Fiscal Year for the District which is the period including January 1st through and including December 31st of every year.

N. Impasse – means that the representatives of the District and an Exclusively Recognized Employee Organization have reached a deadlock or point in their meeting and conferring in good faith at which differences in positions on matters to be included in a memorandum of understanding or on more general mandatory bargaining matters within the scope of representation, and concerning that which they are required to meet and confer, are so substantial or prolonged that future meetings would be futile.

O. Mediation or Conciliation – means the efforts of an impartial third person or persons, functioning as intermediaries, to assist the District and an Exclusively Recognized Employee Organization in reaching a voluntary resolution to an impasse, through interpretation, suggestion, and advice. As used herein, Mediation and Conciliation are interchangeable terms.

P. Meet and Confer in Good Faith – (sometimes referred to herein as "Meet and Confer" or "Meeting and Conferring") means performance by duly authorized

District and Exclusively Recognized Employee Organization representatives of their mutual obligations. The District and a representative of an Exclusively Recognized Employee Organization shall have the mutual obligation personally to meet within the time periods established by Section 1.6 of this Resolution upon request, exchange information on matters within the scope of representation, including wages, hours and other terms and conditions of employment, in a good faith effort to 1) reach agreement on those matters within the authority of such representatives, 2) freely exchange information, opinions and proposals, and 3) reach agreement in the form of a tentative agreement and/or a memorandum of understanding, on what will be recommended to the Board on those matters within the decision making authority of the Board. This does not require either party to agree to a proposal or to make a concession.

Q. Memorandum of Understanding – means a written document jointly prepared by the District's Employee Relations Officer, or designee(s), and a Recognized Employee Organization or Exclusively Recognized Employee Organization enumerating any agreement reached as the result of meeting and conferring on matters within the scope of representation, and the same signed by the parties involved and ratified by the majority of the relevant bargaining unit and approved by the Board.

R. Employee Relations Officer – means the District's principal representative in all matters of employer-employee relations designated pursuant to Section 2.1, or his or her duly authorized representative.

S. Proof of Employee Support – means (1) an authorization card recently signed and personally dated by an employee, provided that the card has not been subsequently revoked in writing by the employee or (2) a verified authorization petition or petitions recently signed and personally dated by an employee.

T. Resolution – means, unless the context indicates otherwise, this Resolution.

U. Scope of Representation – means all matters relating to employment conditions, and employer-employee relations, including, but not limited to, wages, hours and other terms and conditions of employment. District rights as defined herein in Section 1.5 are excluded from the scope of representation.

V. Tentative Agreement – means a written agreement reached by the authorized labor relations representatives of the District and an Exclusively Recognized Employee Organization that has been ratified by the members of the affected represented employee organization(s) and signed by the labor representatives of the District and an Exclusively Recognized Employee Organization, which is intended to be considered by Board at a duly noticed public meeting for acceptance and adoption or rejection.

W. Days – means calendar days unless otherwise stated.

Section 1.4. Employee Rights

Employees of the District shall have the right to form, join, and participate in the activities of employee organizations of their own choosing for the purpose of representation on matters within the scope of representation. Employees of the District shall also have the right to refuse to join or participate in the activities of employee organizations and shall have the right to represent themselves individually in their employment relations with the District. No employee shall be interfered with, intimidated, restrained, coerced, or discriminated against by the District or by any employee organization because of the exercise of these rights.

Professional Employees shall not be denied the right to be represented separately from non-professional employees by an employee organization consisting of such Professional Employees.

No Management or Confidential Employee may represent any employee organization, which represents other non-Management, or non-Confidential employees of the District, on matters within the scope of representation, unless as permitted by the District's Personnel Rules, and no Management or Confidential Employee may engage in any activity with or on behalf of any employee organization which would result in an actual or apparent conflict of interest, as determined by the District's Employee Relations Officer, which includes sharing confidential labor relations information derived from their confidential status with anyone outside the District's authorized labor representatives and designated confidential employees.

Section 1.5. District Rights and Responsibilities

The District, on its own behalf and on behalf of its electors, has and will retain all powers, rights, authority, duties and responsibilities conferred and vested in it by the laws and the constitution of the State of California, the Constitution of the United States, the District's Rules and Regulations and any modifications made thereto and any resolution passed by District officials. Nothing in this Resolution shall be construed to limit or impair the right of the District to exercise its own discretion on all of the following matters, whatever may be the effect upon employment, when in its sole discretion it may determine it to be in the public interest to do any or all of the following:

A. To manage the District generally and to determine issues of policy;

B. To determine the necessity or organization of any service or activity conducted by the District and expand or diminish services;

C. To determine and change the facilities, methods, means and personnel by which District operations are to be conducted;

D. To determine and change the number of locations, relocations, and types of operations, and the processes and materials to be included in carrying out all District functions including, but not limited to, the right to contract for or subcontract any work or operation; without prejudice to the right of the employee organization to thereafter meet and confer on the effect thereof;

E. To determine the size and composition of the work force, to assign work to employees in accordance with requirements as determined by the District, and to establish and change work schedules and assignments, and to establish the days and hours when employees shall work;

F. To relieve employees from duty because of lack of work or similar non-disciplinary reasons;

G. To discharge, suspend or otherwise discipline employees for proper cause;

H. To determine job classifications;

I. To hire, transfer, promote, and demote employees for non-disciplinary reasons;

J. To determine policies, procedures and standards for selection, training and promotion of employees;

K. To establish employee performance standards including but not limited to quality and quantity standards;

L. To maintain order and efficiency of its facilities and operations;

M. To take any and all necessary actions to carry out its missions in emergency and other situations of unusual or temporary circumstances;

N. To exercise complete control and discretion over its organization and the technology of performing its work and services; and

O. To establish reasonable work and safety rules and regulations in order, to maintain the efficiency and economy desirable in the performance of District services.

Section 1.6. Meet and Confer

A. The District, through its representative(s), shall meet and confer in good faith with Employee representative(s) of any Recognized Employee Organization or Exclusively Recognized Employee Organization regarding matters within the scope of representation for its members or for all employees, whichever applies, in the unit for which such organization is recognized.

B. Where a Recognized Employee Organization or Exclusively Recognized Employee Organization desires to meet and confer with the District, through its representative(s), on matters within the scope of representation, said organization shall make a request in writing and specify the subjects to be discussed.

C. The Recognized Employee Organization or Exclusively Recognized Employee Organization shall submit any and all request(s) to meet and confer on matters within the scope

of representation that have a fiscal impact and are not currently accounted for in the current budget in the manner specified below:

1) By August 1st if it intends to have the requested item(s) considered for the budget for the next fiscal year, or, if there is a Memorandum of Understanding in existence between the parties, for the fiscal year following the expiration date of the Memorandum of Understanding, where August 1st immediately precedes the commencement of said fiscal year.

2) Written requests submitted by the Recognized Employee Organization or Exclusively Recognized Employee Organization may be changed during the meet and confer process so long as the total cost of the requests as changed does not exceed the cost of the requests made as of August 1st, or as of any other extension of time agreed upon by the parties.

3) Promptly after such written requests have been made, a meeting shall be arranged at a time and place mutually satisfactory to the parties involved.

4) The meet and confer process discussed in this Section 1.6(C) shall be completed by October 31st immediately preceding the commencement of the fiscal year in which the changes and/or requests are to become effective, or by any other extension of time as agreed upon by the parties in writing. In the event the meet and confer process has not been completed or an agreement is not reached within the time period(s) set forth in this Section 1.6(C), either party may declare an Impasse and initiate Impasse procedures in accordance with Article IV.

D. Where the District proposes to take action on matters regarding wages, hours, and other terms and conditions of employment within the scope of representation, whether such action be by ordinance, resolution, rule, or regulations, reasonable written notice shall be given to each Recognized Employee Organization or Exclusively Recognized Employee Organization affected thereby, and each shall be given the opportunity to meet and confer with the District, through its representative(s), prior to the adoption of same. In cases of emergency when the Board determines that an ordinance, resolution, rule or regulation must be adopted immediately without prior notice or meeting with any Recognized Employee Organization or Exclusively Recognized Employee Organization, the District shall provide such notice and opportunity to meet at the earliest practicable time following the adoption of the same.

1) In the event the District gives notice of an anticipated action pursuant to this Section, the District may specify in said notice a reasonable period of time within which the meet and confer process must be completed.

2) If a Recognized Employee Organization or Exclusively Recognized Employee Organization fails to deliver to the District a written request for a meeting within seven (7) days after receipt of the notice given by the District, or within such other noticed time as specified by the District due to an emergency, said employee organization(s) shall be deemed conclusively to have waived any right to meet and confer as to any matter noticed by the District pursuant to this Section.

E. If a Tentative Agreement is reached by the authorized representatives of the District and an Employee Organization and ratified by the Employee Organization, the Board shall vote to accept or reject the tentative agreement within thirty (30) days of the date it is first considered at a duly noticed public meeting. If the Board accepts the Tentative Agreement, then the parties shall jointly prepare a written Memorandum of Understanding, signed by the District's representatives and the duly authorized Employee representatives, which shall be brought back for approval, adoption and implementation by the Board. Said Memorandum of Understanding shall not be binding until approved and adopted by the Board.

F. If a side-letter agreement is reached by the representatives of the District and any recognized employee organization, all agreed matters shall be incorporated as joint recommendations to the Board in a written side-letter agreement signed by the District's representatives, and the duly authorized employee representatives, and ratified by the members of the recognized employee organization. Said side letter agreement shall not be binding until approved and adopted by the Board.

Section 1.7. Consultation in Good Faith

The District, through its representatives, shall consult in good faith with representatives of Recognized Employee Organizations or Exclusively Recognized Employee Organizations prior to the modification of any rules and regulations for the administration of employer-employee relations, including any amendments to this Resolution.

ARTICLE II: REPRESENTATION PROCEEDINGS

Section 2.1. Designation of Employee Relations Officer

Unless otherwise specifically designated by the Board, the District's General Manager or such representative as he or she may designate in writing, is hereby designated the District Employee Relations Officer ("DERO"), who shall be the District's principal representative on all matters of employer/employee relations, with authority to meet and confer in good faith on matters within the scope of representation, including wages, hours and other terms and conditions of employment. The DERO may adopt reasonable rules and regulations for the conduct of elections provided for in Section 2.8.

Section 2.2. Designation of Confidential and Management Employees

A. The DERO is authorized to designate, from time to time, and after consultation with any affected recognized employee organization, Confidential Employees and Management Employees, as defined in Section 1.3 of this Resolution, and may at any time revoke such designations. Upon such designation being made, the DERO may assign such Confidential Employee to an appropriate confidential representation unit and such Management Employee to an appropriate management employee unit, if applicable and/or appropriate. Upon revocation of such designation as a Confidential or Management Employee, the DERO shall assign the affected employee to an appropriate representational unit.

B. The DERO may, from time to time, combine, alter or modify confidential employee representation units, and after consultation with any Recognized Employee Organization or Exclusively Recognized Employee Organizations concerned, combine, alter or modify management employee representation units.

C. Any Recognized Employee Organization or Exclusively Recognized Employee Organizations directly affected by an action taken by the DERO in accordance with subsection A or B above may appeal such decision in accordance with Section 2.13 to the DERO from such action. Failure to initiate an appeal within thirty (30) days shall be deemed a waiver of the organization's right to appeal the action of the DERO.

D. No action taken by the DERO in accordance with subsection A or B above shall have force and effect until expiration of the 30-day appeal period prescribed in subsection C above. If an appeal from such action is filed by an employee organization within the thirty (30) day time period prescribed above, such action shall not become effective pending hearing of the appeal and completion of the impasse procedure if invoked.

Section 2.3. Employee Unit of Representation

A. The District currently has no Bargaining Units and no Recognized Employee Organizations.

B. New or subsequently different or modified employee units of representation may be created by action of the Board as it deems appropriate, upon the District's own written notice

given to the appropriate employee organization or upon a petition filed by an employee organization pursuant to Section 2.4 of this Resolution. In making its determination, the Board will investigate and consider the following factors:

1) Whether and which employees share a similar community of interests, kinds of work performed, types of qualifications required, and general working conditions;

2) The District's needs to maintain an efficient operation;

3) The units of representation historically recognized by the District, except however, that no unit shall be deemed to be an appropriate unit solely on the basis of the extent to which employees in the proposed unit have organized;

4) Consistency with the organizational patterns of the District;

5) Number of employees and classifications, and the effect on the administration of employer-employee relations created by the fragmentation of classifications and proliferation of units; and

6) Other matters considered relevant by the District to promoting sound employer-employee relations and efficient operation of the District.

Section 2.4. Requirements For and Process of Becoming a Recognized or Exclusively Recognized Employee Organization

A. Only one employee organization shall be recognized as an employee organization representing employees in a unit and, after the effective date of this Resolution, only exclusive recognition on behalf of a unit established in accordance with this Resolution or amendment hereto shall be conferred.

B. Process of Becoming Recognized. An employee organization seeking to become certified as the Exclusively Recognized Employee Organization representing employees in an appropriate unit shall file a petition ("Recognition Petition") with the DERO during the Filing Period. The Recognition Petition shall contain all of the following information and documentation declared by the duly authorized signatory under penalty of perjury to be true, correct, and complete:

1) Name and address of the employee organization;

2) Names and titles of its officers;

3) Names of employee organization representatives who are authorized to speak on behalf of the organization;

4) Names and addresses of no more than two (2) employee representatives to whom notices, if sent pursuant to this Resolution, will be deemed sufficient notice to the employee organization for any purpose;

5) A copy of the employee organization's current constitution and bylaws, which shall contain a statement that the employee organization has, as one of its primary purposes, the representation of employees in their employment relations with the District;

6) A statement whether the employee organization is a subordinate body of, or affiliated directly or indirectly in any manner with, any regional or state or international organization and, if so, the name and address of each such regional, state, national, or international organization;

7) A statement that the employee organization has no restriction on membership based on race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status of any person;

8) The job classifications or position titles of employees in the unit claimed to be appropriate and the approximate number of member employees therein;

9) A statement that the employee organization has in its possession Proof of Employee Support to establish that a majority of the employees in the unit claimed to be appropriate have designated the employee organization to represent them in their employment relations with the District. Such written proof shall be submitted for confirmation to the DERO or to a representative of the California State Mediation and Conciliation Service; and

10) A request that the DERO formally acknowledge the employee organization as the Exclusively Recognized Employee Organization representing the employees in the unit claimed to be appropriate for the purpose of meeting and conferring in good faith.

Section 2.5. District Response to Recognition Petition for an Exclusively Recognized Employee Organization

A. Upon receipt of the Recognition Petition, the DERO shall determine whether:

1) The Recognition Petition satisfies the requirements of Section 2.4 B.

2) The proposed representation unit is an appropriate unit, in accordance with Section 2.3.

B. If an affirmative determination is made by the DERO on the foregoing matters listed in subsection A above, then the DERO shall inform the petitioning employee organization, give written notice of the Recognition Petition to all the employees in the unit and any other employee organization(s) representing any employee in the same unit, and take no action on said request for thirty (30) days thereafter.

C. If either of the foregoing matters listed in subsection A above are not affirmatively determined, then the DERO shall deny the Recognition Petition and inform the petitioning employee organization of the reasons therefor in writing. The petitioning employee organization shall have seven (7) days to cure any defects in the Recognition Petition. All defaults must be cured, and a valid Recognition Petition must be submitted by the end of the Filing Period, unless the submission deadline is extended by the DERO, who shall not extend the cure period more than fifteen (15) days beyond the end of the Filing Period. Neither the DERO nor the District is obligated to assist the petitioning employee organization in curing the alleged defects to the Recognition Petition.

D. The petitioning employee organization may appeal such determination in accordance with Section 2.13.

Section 2.6. Open Period for Filing Challenging Petition to an Exclusively Recognized Employee Organization

Within thirty (30) days of the date written notice was given to affected employees that a valid Recognition Petition for an appropriate unit has been filed, any other employee organization may file a competing request to be formally acknowledged as the Exclusively Recognized Employee Organization of the employees in the same or in an overlapping unit (one which corresponds with respect to some, but not all the classifications or positions set forth in the Recognition Petition being challenged), by filing a petition evidencing Proof of Employee Support in the unit claimed to be appropriate of at least thirty (30) percent and otherwise in the same form and manner as set forth in Section 2.4. If such challenging petition seeks establishment of an overlapping unit, the DERO shall call for a meeting on such overlapping Recognition Petitions for the purpose of ascertaining the more appropriate unit, at which time the petitioning employee organizations shall be heard. Thereafter, the Board shall determine the appropriate unit or units in accordance with the standards in Section 2.3. The petitioning employee organizations shall have fifteen (15) days from the date notice of such unit determination is communicated to them by the DERO to amend their petitions to conform to such determination or to appeal such determination pursuant to Section 2.13.

Section 2.7. Granting Recognition to an Exclusively Recognized Employee Organization Without an Election

If the Proof of Employee Support shows that a majority of the employees in the appropriate unit have designated the petitioning employee organization to represent them, and if no other employee organization files a challenging petition, the petitioning employee organization and the DERO shall request the California State Mediation and Conciliation Service, or another agreed upon neutral third party, to review the count, form, accuracy, and propriety of the Proof of Employee Support. If the neutral third party makes an affirmative determination, then the DERO shall certify the petitioning employee organization as the Exclusively Recognized Employee Organization for the appropriate unit.

Section 2.8. Granting Recognition to an Exclusively Recognized Employee Organization Through an Election Process

A. Upon the submission of valid Recognition Petitions of more than one employee organization for employees in the same or overlapping units, the DERO shall arrange for a secret ballot election to be conducted by the District Clerk or such other third party agreed to by the DERO and the concerned employee organization(s), in accordance with such party's rules and procedures, subject to the provisions of this Resolution. All employee organizations who have duly submitted Recognition Petitions which have been determined to be in conformance with this Resolution shall be included on the ballot. The ballot shall also reserve to employees the choice of representing themselves individually in their employment relations with the District. Employees entitled to vote in such election shall be those persons employed in regular, permanent positions within the designated appropriate unit who were employed during the pay period immediately prior to the date which ended at least fifteen (15) days before the date the election commences, including those who did not work during such period because of illness, vacation or other authorized leaves of absence, and who are employed by the District in the same unit on the date of the election. An employee organization shall be formally acknowledged as the Exclusively Recognized Employee Organization for the designated appropriate unit following an election or run-off election, if it received a numerical majority of all valid votes cast in the election. In an election involving three or more choices, where none of the choices receives a majority of the valid votes cast, a run-off election shall be conducted between the two choices receiving the largest number of valid votes cast. The rules governing an initial election are applicable to a run-off election.

B. There shall be no more than one election under this Resolution pursuant to any Recognition Petition in a twelve (12) month period affecting the same unit.

C. In the event that the parties are unable to agree on a third party to conduct the election, the election shall be conducted by the California State Mediation and Conciliation Service. If a third party conducts the election, then the costs of conducting elections shall be borne in equal shares by the District and by each employee organization appearing on the ballot.

D. An Exclusively Recognized Employee Organization of the unit for which a decertification election is being conducted shall also appear on the ballot, unless within fourteen (14) days of receipt of the notice of the Decertification or Recognition Petition, or notice of the unit determined by the Board, whichever is later, said employee organization provides written notice to the DERO that it does not intend to participate in the election. Notice of the intention not to participate in the election shall constitute withdrawal from representation of the unit effective the date the notice of intention not to participate in the election is received by the DERO.

E. The DERO shall announce the date of the election and the voting location or locations at least twenty-eight (28) days before the date of such election. Employees shall vote in person.

Section 2.9. Procedure for Decertification of Exclusively Recognized Employee Organization

A. A decertification petition alleging that the incumbent Exclusively Recognized Employee Organization no longer represents a majority of the employees in an established appropriate unit ("Decertification Petition") may be filed with the DERO only during the Filing Period or the twenty-nine (29) day period less than one-hundred twenty (120) days, but no more than ninety (90) days, prior to the expiration date of a Memorandum of Understanding then in effect, provided that a Decertification Petition may not be filed within twelve (12) months of initial recognition of an Exclusively Recognized Employee Organization. A Decertification Petition may be filed by two or more employees or their representative, or an employee organization, and shall contain the following information and documentation declared by the duly authorized signatory under penalty of perjury to be true, correct, and complete:

1) The name, address and telephone number of the petitioner and a designated representative authorized to receive notices or requests for further information.

2) The name of the established appropriate unit and the incumbent Exclusively Recognized Employee Organization sought to be decertified as a representative of that unit.

3) An allegation that the incumbent Exclusively Recognized Employee Organization no longer represents a majority of the employees in the appropriate unit, and any other relevant and material facts relating thereto.

4) Proof of Employee Support that at least thirty (30) percent of the employees in the established appropriate unit no longer desire to be represented by the incumbent Exclusively Recognized Employee Organization. Such proof shall be submitted for confirmation to the DERO or to a mutually agreed upon disinterested third party within the time limits specified in the first paragraph of this Section. An employee organization may, in satisfaction of the Decertification Petition requirements hereunder, file a petition under this Section in the form of a Recognition Petition that evidences Proof of Employee Support of at least thirty (30) percent, that includes the allegation and information required under this Section, and otherwise conforms to the requirements of Section 2.4.

B. The DERO shall initially determine whether the Decertification Petition has been filed in compliance with the applicable provisions of this Resolution.

1) If the foregoing matters listed in subsection A above are not affirmatively determined, then the DERO shall deny the Decertification Petition and inform the petitioning employee organization of the reasons therefor in writing. The petitioning employee organization shall have seven (7) days to cure any defects in the Decertification Petition. Neither the DERO nor the District is obligated to assist the petitioning employee organization in curing the alleged defects to the Decertification Petition.

2) If the foregoing matters listed in subsection A of this section are affirmatively determined by the DERO, or if his/her negative determination is reversed on

appeal, then the DERO shall give written notice of such Decertification or Recognition Petition to the incumbent Exclusively Recognized Employee Organization and to unit employees. The DERO shall thereafter arrange for a secret ballot election to be held to determine the wishes of unit employees as to the question of decertification and, if a Recognition Petition was duly filed hereunder, the question of representation. Such election shall be conducted within the same timeframe and under the same procedures as set forth in Section 2.8.

3) The petitioning employee organization may appeal such determination in accordance with Section 2.13.

C. During the Filing Period or the twenty-nine (29) day period less than one-hundred twenty (120) days, but more than ninety (90) days, prior to the expiration of a Memorandum of Understanding then in effect, the DERO may give written notice of the District's specific intent to the affected employee organization, when the DERO has reason to believe that a majority of unit employees no longer wish to be represented by the incumbent Exclusively Recognized Employee Organization, give notice to said organization and all unit employees that an election will be arranged and held by the DERO to determine that issue. In such event, any other employee organization may, within fifteen (15) days of such notice, file a Recognition Petition in accordance with Section 2.4B, which the DERO shall act on in accordance with this Section.

D. If, pursuant to this Section, a different employee organization is formally acknowledged as the Exclusively Recognized Employee Organization, such organization shall be bound by all the terms and conditions of any Memorandum of Understanding then in effect for its remaining term.

Section 2.10. Procedure for Modification of Established Appropriate Units

A. Requests by employee organizations for modifications of established appropriate units ("Modification Petition") may be considered by the DERO. The Modification Petition shall be submitted during the Filing Period or the twenty-nine (29) day period less than one-hundred twenty (120) days, but not more than ninety (90) days prior to the expiration of a Memorandum of Understanding then in effect. The Modification Petition shall be in the form of a Recognition Petition, and, in addition to the requirements set forth in Section 2.4B, shall contain a complete statement of all relevant facts and citations in support of the proposed modified unit in terms of the policies and standards set forth in Section 2.3. The DERO shall process the Modification Petition consistent with the requirements applicable to a Recognition Petition under this Resolution.

B. Proof of Support: When an employee organization requests the addition of classifications or positions to its established unit, and the addition of the positions would increase the existing unit size by ten (10) percent or more, the DERO will require proof of majority support of persons employed in the classifications or positions to be added. The DERO will require proof of at least thirty (30) percent support among the affected employees if a pending representation petition by another employee organization overlaps the positions at issue in the unit modification petition.

C. At any time, the DERO may, by giving written notice of District's intent to the affected employee organization, propose that an established unit be modified. The DERO shall give written notice of the proposed modification(s) to any affected employee organization(s), and each employee within said affected unit or units, and shall hold a meeting concerning the proposed modification(s), at which time all affected employee organizations shall be heard. Thereafter the DERO shall determine the composition of the appropriate unit or units in accordance with Section 2.3 and shall give written notice of such determination to the affected employee organizations.

1) The DERO's determination may be appealed in accordance with Section 2.13.

2) If a unit is modified pursuant to the written notice of the DERO hereunder, employee organizations may thereafter file Recognition Petitions seeking to become the Exclusively Recognized Employee Organization for such new appropriate unit or units pursuant to Section 2.4.

Section 2.11. Procedure for Processing Severance Requests

A. An employee organization may file a request to become the Exclusively Recognized Employee Organization of a unit alleged to be appropriate that consists of a group of employees who are already a part of a larger established unit represented by another Exclusively Recognized Employee Organization ("Severance Request"). The timing, form, and processing of the Severance Request shall be as specified in Section 2.10 for a Modification Petition.

B. Proof of Support: When an employee organization requests severance of classifications or positions to its established unit, and the severance of the positions would decrease the existing unit size by ten (10) percent or more, the DERO will require proof of majority support of persons employed in the classifications or positions to be severed. The DERO may require proof of at least thirty (30) percent support among the affected employees. The DERO's determination may be appealed in accordance with Section 2.13.

Section 2.12. Amendment of Certification

A. Employee Organization Petition

1) An Exclusively Recognized Employee Organization shall file with the DERO a petition to amend its certification or recognition ("Amendment Petition") in the event of a merger, amalgamation, change in affiliation, or transfer of jurisdiction.

2) The Amendment Petition shall be in writing, signed by an authorized agent of the employee organization, and contain the following information:

(a) The name, address and telephone number of the employee organization and the name, address and telephone number of the agent to be contacted;

(b) A brief description and the title of the established unit;

(c) A clear and concise statement of the nature of the merger, amalgamation, affiliation, or other change in jurisdiction, and the new name of the employee organization. The statement shall include the following information:

(i) Whether the new organization has the same structure as the former organization (e.g., eligibility for membership, dues/fees structure, continuation of the manner in which contract negotiations, administration and grievance processing will be effectuated), and if not, an explanation of the change(s) in structure;

(ii) Whether the officers and representatives of the new organization are the same as the former organization, and if not, a specification of the changes in officers and/or representatives;

(iii) Whether the power of the members to control the organization's agents is the same as it was in the former organization (e.g., input into contract proposals, contract ratification, frequency of membership meetings, preservation of the former organization's physical facilities, books, and assets, choosing/oversight of executive board members), and if not, a specification of what changes have been made; and

(iv) Whether the organization's members were given an opportunity to vote on the change in status, and if so, a description of the voting process and results.

B. Review Process

1) Upon receipt of a petition filed pursuant to Section 2.12 A above, the DERO shall conduct such inquiries and investigations, and hold such meetings as deemed necessary and/or conduct a representation election in order to decide the questions raised by the Amendment Petition.

2) The DERO may dismiss the Amendment Petition if the petitioner has no standing to petition for the action requested or if the Amendment Petition is improperly filed.

3) In determining whether to grant the Amendment Petition, the DERO will examine the following issues:

(a) Whether the new organization has the same or similar structure as the former organization;

(b) Whether the officers and representatives of the new organization are substantially the same as the former organization;

(c) Whether the power of the members to control the organization's agents are substantially the same; and

(d) Whether the organization's members were given an opportunity to vote on the change in status.

C) Determination

1) Unless the DERO finds that there is no substantial continuity of identity and representation between the former and new organizations, the DERO will issue an amendment of certification reflecting the new identity of the Exclusively Recognized Employee Organization. Such certification shall not be considered to be a new certification for the purpose of computing time limits pursuant to Section 2.9. The terms and conditions of a Memorandum of Understanding then in effect shall remain in effect until said Memorandum of Understanding expires.

2) If the DERO determines that there is no substantial continuity of identity and representation between the former and new organizations, then the DERO shall order an election in conformance with Section 2.9.

3) The DERO's determination may be appealed in accordance with Section 2.13.

Section 2.13. Appeals

A. Within fifteen (15) days of a final decision of the DERO, (i) an employee organization aggrieved by a determination of an appropriate unit or that a Recognition Petition (Sec. 2.4), Challenging Petition (Sec. 2.6), Decertification Petition (Sec. 2.9), Modification Petition (Sec. 2.10), Severance Request (Sec. 2.11), or Amendment Petition (Sec. 2.12) has not been filed in compliance with Article II; or (ii) employees aggrieved by a determination that a Decertification Petition (Sec. 2.9) or Severance Request (Sec. 2.11) has not been filed in compliance with Article II, may request to submit the matter to mediation by the State Mediation and Conciliation Service. In lieu thereof, or fifteen (15) days after such mediation proceedings, said employee organization or employees may appeal such determination to the Board for final decision.

B. Appeals to the Board shall be filed in writing with the District Clerk, and a copy thereof served on the DERO. The Board shall commence to consider the matter within thirty (30) days of the filing of the appeal. The Board may, in its discretion, refer the dispute to a third party hearing process. Any decision of the Board on the use of such procedure, and/or any decision of the Board determining the substance of the dispute, shall be final and binding. Any costs for the appeal shall be borne equally by the District and the appealing employee organization.

ARTICLE III. ADMINISTRATION

Section 3.1. Submission of Current Information by Employee Organizations

All Recognized and Exclusively Recognized Employee Organizations shall advise the DERO in writing immediately of any changes in the information enumerated in Section 2.4 C within fourteen (14) days of such change.

Section 3.2. Employee Organization Activities – Use of District Resources

Access to District work locations and the use of District paid time, facilities, equipment and other resources by employee organizations and those representing them, shall be authorized only to the extent provided for in Memoranda of Understanding and/or administrative procedures, shall be limited to lawful activities consistent with the provisions of this Resolution that pertain directly to the employer-employee relationship and not to such internal employee organization business as soliciting membership, campaigning for office, or organization meetings and elections, and shall not interfere with the efficiency, safety, and security of District operations.

ARTICLE IV. IMPASSE PROCEDURES

Section 4.1. Initiation of Impasse Procedures

If the meet and confer process has reached an Impasse, then either party to the negotiations may initiate the Impasse procedure by filing with the other party a written request for an Impasse meeting together with a statement of its position on all remaining disputed issues. An Impasse meeting shall then be scheduled by the DERO forthwith after the date of filing of the written request for such meeting. The purpose of the impasse meeting is two-fold:

(a) To review the position of the parties in a final effort to reach agreement on the negotiable subjects at hand, including but not limited to a Memorandum of Understanding; and

(b) If the Impasse cannot be not resolved, then to discuss arrangements for the utilization of the Impasse procedures provided herein.

Section 4.2. Impasse Procedures

Impasse procedures may be invoked if the matters remaining in dispute are so substantial or prolonged that future meetings would be futile and/or the possibility of a settlement by direct discussion have been reasonably exhausted. The Impasse procedures are as follows:

(a) If the parties agree to submit the dispute to mediation, then mediation will be conducted by a mediator from the California State Mediation and Conciliation Service, unless the parties agree to use another mediator. All mediation proceedings shall be private. The mediator shall make no public recommendation, nor take any public position at any time concerning the issues. If there is a cost for the services of a mediator, then such costs shall be borne equally by the District and the involved employee organization.

(b) If the parties, having so agreed to mediation, fail to resolve the dispute within thirty (30) days after the appointment of the mediator, then the employee organization thereafter may request to submit the Impasse to factfinding, as provided by state law. The parties are free to mutually extend the time limit if confirmed in writing.

(c) If the parties do not agree to mediation, then the employee organization may request to submit the Impasse to factfinding, as provided in Section 4.3 below.

(d) If the Impasse has not been resolved through factfinding, or the employee organization fails to request factfinding, then the Impasse will be sent to the Board, which shall hold a public hearing on the Impasse and take such action regarding the Impasse as it, in its discretion, deems appropriate as in the public interest, including but not limited to, unilaterally

implementing its last, best, and final offer or such terms as must be reasonably comprehended from the last, best, and final offer. Any legislative action by the Board on the Impasse shall be final and binding.

Section 4.3. Factfinding Procedures

A. Upon failure to agree to, or upon failure to reach an agreement through, mediation, the employee organization may submit a written request to the DERO and the Public Employment Relations Board for a factfinding panel in accordance with state law:

1) If the dispute was submitted to mediation, then the written request for a factfinding panel must be submitted not sooner than thirty (30) days, but not more than forty-five (45) days, after the appointment of the mediator.

2) If the dispute was not submitted to mediation, then the written request for a factfinding panel must be submitted not later than thirty (30) days following the date that either party provided the other with a written notice of an Impasse and request for an Impasse meeting.

B. The request for fact-finding shall be filed with the Public Employment Relations Board - Los Angeles Regional Office located at 700 N. Central Ave., Glendale, California 91203-3219, with a proof of service, containing a declaration signed under penalty of perjury with the following information: (1) the name of the declarant; (2) the county and state in which the declarant is employed or resides; (3) a statement that the declarant is over the age of 18 years and not a party to the case; (4) the address of the declarant; (5) a description of the documents served; (6) the method of service and a statement that any postage or other costs were prepaid; (7) the name(s), address(es) and, if applicable, fax number(s) used for service on the party(ies); and (8) the date of service. Approval or disapproval of all requests for factfinding shall be in the discretion of the Public Employment Relations Board.

C. Within five (5) working days after notification from the Public Employment Relations Board that the factfinding request has been approved, each party shall select a person to serve as its member of the factfinding panel and notify the Public Employment Relations Board of its selection. The parties shall then select the chairperson by utilizing a strike procedure whereby each side strikes a member of the list provided by PERB until one is selected. Within five (5) working days after a chairperson is selected through this procedure, the parties may alternatively mutually agree upon another person to serve as chairperson. The strike procedure will be initiated by a coin toss by a representative of the District, who shall flip the coin and call the chosen side, witnessed by the employee organization, with the winning party having the election to strike first or second. The costs for the services of the chairperson, including per diem fees, if any, and actual and necessary travel and subsistence expenses, shall be divided equally between the parties. Any other mutually incurred costs shall be divided equally between the parties. Any separately incurred costs for the panel member selected by each party shall be borne by that party. The parties are free to mutually extend the time limit if confirmed in writing.

D. Within ten (10) days of its appointment, the factfinding panel shall meet with the parties or their representatives, either jointly or separately, and may make inquiries and investigations, hold hearings, and take any other steps it deems appropriate, including issuance of subpoenas requiring attendance and testimony and production of evidence. The parties are free to mutually extend the time limit if confirmed in writing.

E. Within thirty (30) days of its appointment, or upon agreement by the parties for a longer period, and if the dispute is not settled by the parties within said time period, the factfinding panel shall make findings of fact and recommend terms of settlement, which shall be advisory only. In making its findings and recommendations, the fact-finding panel shall consider the following criteria:

1) State and federal laws that are applicable to the District;

2) Local rules, regulations, or ordinances;

3) Stipulations of the parties;

4) The interests and welfare of the public and the financial ability of the District;

5) Comparison of the wages, hours, and conditions of employment to employees performing similar services in comparable public agencies;

6) The consumer price index for goods and services, commonly known as the cost of living;

7) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays, and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received; and

8) Any other facts which are normally or traditionally taken into consideration in making the findings and recommendations.

F. The factfinding panel shall submit its findings and recommendations in writing to the parties prior to making them available to the public for the purpose of resolving the impasse. The District shall make the findings and recommendations available to the public within ten (10) calendar days after its receipt. If the Impasse has not been resolved within ten (10) calendar days after the District's receipt of the factfinding panel findings and recommendations, then the Impasse shall be sent to the Board, which shall then hold a hearing on the Impasse and take such action regarding the Impasse as it, in its discretion, deems appropriate as in the public interest, including but not limited to unilaterally implementing its last, best, and final offer or such terms as may be reasonably comprehended therefrom. Any legislative action by the Board on the Impasse shall be final and binding, including but not limited to unilaterally implementing its last, best, and final offer or such terms as may be reasonably comprehended therefrom.

ARTICLE V. MISCELLANEOUS PROVISIONS

Section 5.1. Peaceful Performance of District Services

Participation by an employee in any manner, in any strike, work stoppage, slow down, sick-in, or other concerted refusal to work by employees of the District or participation in any manner in any picketing or support of any such strike, work stoppage, slow down, sick-in, or other concerted refusal to work or impediment to work by employees of the District, or participation or inducing other employees of the District to engage in such activities shall subject the employee to disciplinary action up to and including termination. If an Exclusively Recognized Employee Organization, its representatives, or members, engage in, cause, instigate, encourage, or condone, in any manner, any strike, work stoppage, slow down, sick-in, or any other concerted refusal to work by employees of the District or any picketing in support thereof or any other form of interference with or of the peaceful performance of the District services in addition to any other lawful remedies or disciplinary actions, the District General Manager may suspend or revoke the recognition granted such employee organization, may suspend or cancel any or all payroll deductions payable to such organization and prohibit the use of bulletin boards, prohibit the use of District facilities, and prohibit access to former work or duty stations by such organization.

Any decision of the District General Manager made under provisions of this section may be appealed to the District Board by filing a written notice of appeal with the District General Manager accompanied by a complete statement setting forth all the grounds upon which the appeal is based. Such notice of appeal must be filed within seven (7) days after the District General Manager provides to the affected employee organization notice of the decision upon which its complaint is based. If a written notice of appeal is not filed with the District General Manager within seven (7) days, then the decision of the District General Manager shall be deemed final and not subject to any other appeal.

Section 5.2. Rules and Regulations

The Board may from time to time adopt such additional rules and regulations necessary or convenient to implement the provisions of this Resolution and provisions of the MMBA after meeting and consulting with all recognized employee organizations.

Section 5.3. Construction

Nothing in this Resolution shall be construed to deny any person the rights granted by federal and state laws and any policies or provisions of the District's rules and regulations.

The rights, power and authority of the Board on all matters, including the right to maintain any legal action, shall not be modified or restricted by this Resolution.

Provisions of this Resolution are not intended to conflict with the provisions of the MMBA or the provisions of the District's personnel system which provides for other methods of administering employee relations.

Section 5.4. Severability

If any provision of this Resolution or the application of such provision to any person or circumstance, shall be held invalid, then the remainder of this Resolution or the application of such provision to persons to circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 3. This Resolution shall take effect immediately upon adoption.

PASSED, APPROVED AND ADOPTED on this 26th day of October 2020 by the Board of Directors of the Palmdale Water District.

Vincent Dino, President
Board of Directors
Palmdale Water District

Don Wilson, Secretary
Board of Directors
Palmdale Water District

APPROVED AS TO FORM:

Aleshire & Wynder. LLP
Eric Dunn, District General Counsel

RESOLUTION NO. 20-18
A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT (1) AUTHORIZING AMENDMENTS TO THE PALMDALE WATER DISTRICT'S LONG TERM WATER SUPPLY CONTRACT WITH THE DEPARTMENT OF WATER RESOURCES TO SUPPLEMENT AND CLARIFY WATER MANAGEMENT TOOLS REGARDING TRANSFERS AND EXCHANGES OF SWP WATER; AND (2) MAKING RESPONSIBLE AGENCY FINDINGS PURSUANT TO CEQA FOR THE FINAL ENVIRONMENTAL IMPACT REPORT FOR THE STATE WATER PROJECT SUPPLY CONTRACT AMENDMENTS FOR WATER MANAGEMENT, AND ADOPTING CEQA FINDINGS AND STATEMENT OF OVERRIDING CONSIDERATIONS

WHEREAS, the Palmdale Water District has a long term water supply contract (SWP Contract) with the State of California Department of Water Resources (DWR) for the delivery of State Water Project (SWP) water; and

WHEREAS, under the existing SWP Contract, water transfers are permitted in a limited and very specific manner, resulting in their infrequent use, and the parameters for exchanges of water, while allowed, lack specificity and clear guidance, which impede planning; and

WHEREAS, the Palmdale Water District, along with other public water agencies with SWP Contracts (PWAs) conducted a series of public negotiations with DWR with the goal of agreeing on concepts to supplement and clarify the existing water transfer and exchange provisions of the SWP Contracts to provide improved water management; and

WHEREAS, in June 2018, PWAs and DWR agreed upon an Agreement in Principle (AIP), which included specific principles to clarify and enhance the terms of the SWP water supply contract related to water transfers and exchanges to improve water management capabilities and PWA options; and

WHEREAS, in October 2018, DWR circulated a Draft Environmental Impact Report (2018 DEIR) that considered impacts related to the AIP, which at that time also included certain cost allocation sections for the California WaterFix project (WaterFix); and

WHEREAS, in early 2019, Governor Newsom decided not to move forward with the California WaterFix, and DWR rescinded its approvals of the AIP project. The PWAs and DWR subsequently held a public negotiation and agreed to remove the WaterFix cost allocation sections from AIP, but to retain the water management provisions, and the AIP was finalized on May 20, 2019; and

WHEREAS, the proposed amendment to the Palmdale Water District's SWP Contract for consideration by the Board articulates in contract language the principles of the final AIP; and

WHEREAS, DWR is the lead agency for the water management amendments, called the State Water Project Supply Contract Amendments for Water Management (Project), pursuant to CEQA (Pub. Res. Code §§ 21000, et seq.) and the State CEQA Guidelines (14 CCR §§ 15000, et seq.). As the lead agency, DWR is responsible for assuring that an adequate analysis of the Project's environmental impacts is conducted; and

WHEREAS, on February 28, 2020, DWR issued a Partially Recirculated Draft Environmental Impact Report (DEIR) for the Project, which was circulated for public review for 94 days through June 1, 2020; and

WHEREAS, DWR prepared a Final Environmental Impact Report for the Project, which included the DEIR, appendices, comments on the DEIR, responses to comments on the DEIR, and revisions to the DEIR (collectively, FEIR); and

WHEREAS, on August 25, 2020, DWR certified the FEIR, adopted CEQA Findings of Fact and Statement of Overriding Considerations and approved the Project; and

WHEREAS, the FEIR concluded that the Project would have significant and unavoidable impacts to groundwater hydrology and water quality, and cumulatively considerable and unavoidable impacts to groundwater supplies and subsidence. As such, DWR adopted CEQA Findings of Fact and Statement of Overriding Considerations for the Project (attached as Exhibit A); and

WHEREAS, the Palmdale Water District and DWR propose to amend the Palmdale Water District's SWP Contract by approving the amendment attached as Exhibit B to this Resolution (Amendment), the environmental effects of which were studied in the FEIR; and

WHEREAS, the Palmdale Water District is a responsible agency and has more limited approval and implementing authority over the Amendment than does the DWR; and

WHEREAS, the Board of Directors of the Palmdale Water District, at its scheduled public meeting on October 26, 2020 independently reviewed and considered the FEIR, CEQA Findings of Fact and Statement of Overriding Considerations, and other related documents and evidence in the record before it; and

WHEREAS, all the procedures of CEQA and the State CEQA Guidelines have been met, and the FEIR prepared in connection with the Project is sufficiently detailed so that all the potentially significant effects of the Project and the Amendment on the environment and measures feasible to avoid or substantially lessen such effects have been evaluated in accordance with CEQA; and

WHEREAS, as contained herein, the Palmdale Water District has endeavored in good faith to set forth the basis for its decision on the Amendment;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AS FOLLOWS:

1. The above recitals are true and correct and are incorporated herein by reference as an operative portion of this Resolution.

2. Based on the above findings, the Board hereby approves the Amendment and authorizes the General Manger to execute it on behalf of the Palmdale Water District, which is incorporated herein and attached hereto as Exhibit B.

3. The FEIR prepared for the Project, which can be found at https://water.ca.gov/News/Public-Notices/2020/August/SWP-Water-Supply-Contract-EIR, is hereby received by the Board and incorporated herein by this reference

4. Pursuant to State CEQA Guidelines Section 15096 and in its limited role as a responsible agency under CEQA, the Board has reviewed and considered the FEIR, as well as DWR's certification of the FEIR and approval of the Project, and DWR's CEQA Findings of Fact and Statement of Overriding Considerations, and the Board incorporates those items herein by reference. As to those resources within the Palmdale Water District's power and authority as a responsible agency under CEQA, the Board exercises its independent judgment and finds that the FEIR contains a complete, objective and accurate reporting of the Amendment's impacts.

5. Exercising its independent judgment, the Board concurs with the CEQA Findings of Fact and Statement of Overriding Considerations approved by DWR and hereby adopts those CEQA Findings of Fact and Statement of Overriding Considerations, attached hereto as Exhibit A and incorporated herein by this reference. The Board further finds that there are no feasible mitigation measures or alternatives within its authority that would substantially lessen or avoid any significant effects that the Project would have on the environment, for the reasons explained in the FEIR.

6. The Board concurs with the Statement of Overriding Considerations adopted by DWR and finds that the benefits of the Amendment outweigh the adverse environmental impacts not reduced to below a level of significance.

7. The Board hereby authorizes and directs staff to file and have posted a Notice of Determination with the County Clerk and with the State Clearinghouse within 5 working days of the adoption of this Resolution.

8. The documents and materials that constitute the record of proceedings for this Resolution are located at the office of the General Manager, 2029 East Avenue Q, Palmdale, CA 93550

PASSED, APPROVED AND ADOPTED on this 26th day of October 2020 by the Board of Directors of the Palmdale Water District.

Vincent Dino, President
Board of Directors
Palmdale Water District

Don Wilson, Secretary
Board of Directors
Palmdale Water District

APPROVED AS TO FORM:

Aleshire & Wynder. LLP
Eric Dunn, District General Counsel

EXHIBIT A

DWR's CEQA Findings of Fact and Statement of Overriding Considerations

EXHIBIT A

CEQA Findings of Fact and Statement of Overriding Considerations for the State Water Project Water Supply Contract Amendments for Water Management

Section 1. Description of the Project

The proposed project includes amending certain provisions of the State Water Resources Development System (SWRDS) Water Supply Contracts (Contracts). SWRDS (defined in Wat. Code, Section 12931), or more commonly referred to as the SWP, was enacted into law by the Burns-Porter Act, passed by the Legislature in 1959 and approved by the voters in 1960. The Department of Water Resources constructed and currently operates and maintains the SWP, a system of storage and conveyance facilities that provide water to 29 State Water Contractors known as the Public Water Agencies (PWAs)[1]. The Contracts include water management provisions as the methods of delivery, storage and use of water and financial provisions for recovery of costs associated with the planning, construction, and operation and maintenance of the SWP.

DWR and the PWAs have a common interest to ensure the efficient delivery of SWP water supplies and to ensure the SWP's financial integrity. In order to address water management flexibility DWR and the PWAs agreed to the following objectives:

- Supplement and clarify terms of the SWP water supply contract that will provide greater water management regarding transfers and exchanges of SWP water supply within the SWP service area.

The proposed project would add, delete, and modify provisions of the Contracts and clarify certain terms of the Contracts that will provide greater water management regarding transfers and

[1] The State Water Project Public Water Agencies include Alameda County Flood Control and Water Conservation District (Zone 7), Alameda County Water District, Antelope Valley-East Kern Water Agency, City of Yuba City, Coachella Valley Water District, County of Butte, County of Kings, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Dudley Ridge Water District, Empire West Side Irrigation District, Kern County Water Agency, Littlerock Creek Irrigation District, The Metropolitan Water District of Southern California, Mojave Water Agency, Napa County Flood Control and Water Conservation District, Oak Flat Water District, Palmdale Water District, Plumas County Flood Control and Water Conservation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Gorgonio Pass Water Agency, San Luis Obispo County Flood Control and Water Conservation District, Santa Barbara County Flood Control and Water Conservation District, Santa Clara Valley Water District, Santa Clarita WA (formerly Castaic Lake WA), Solano County Water Agency, Tulare Lake Basin Water Storage District, and Ventura County Flood Control District.

exchanges of SWP water within the SWP service area. In addition, the proposed project would not build new or modify existing SWP facilities nor change any of the PWA's annual Table A amounts.[2] The proposed project would not change the water supply delivered by the SWP, as SWP water would continue to be delivered to the PWAs consistent with current Contract terms and all regulatory requirements. The May 20, 2019 AIP is included as Appendix A of the 2020 Partially Recirculated Draft Environmental Impact Report (RDEIR).

Section 2. Findings Required Under CEQA

CEQA requires that the lead agency adopt mitigation measures or alternatives, where feasible, to substantially lessen or avoid significant environment impacts that would otherwise occur. Mitigation measures or alternatives are not required, however, where such changes are infeasible or where the responsibility for the project lies with some other agency. (CEQA Guidelines, Section 15091, sub. (a), (b).)

With respect to a project for which significant impacts are not avoided or substantially lessened, a public agency, after adopting proper findings, may nevertheless approve the project if the agency first adopts a statement of overriding considerations setting forth the specific reasons why the agency found that the project's "benefits" rendered "acceptable" its "unavoidable adverse environmental effects." (CEQA Guidelines, Sections 15093, 15043, sub. (b); see also Pub. Resources Code, Section 21081, sub. (b).)

In seeking to effectuate the substantive policy of CEQA to substantially lessen or avoid significant environmental effects to the extent feasible, an agency, in adopting findings, need not necessarily address the feasibility of both mitigation measures and environmentally superior alternatives when contemplating approval of a proposed project with significant impacts. Where a significant impact can be mitigated to an "acceptable" level solely by the adoption of feasible mitigation measures, the agency, in drafting its findings, has no obligation to consider the feasibility of any environmentally superior alternative that could also substantially lessen or avoid that same impact — even if the alternative would render the impact less severe than would the proposed project as mitigated. (*Laurel Hills Homeowners Association v. City Council* (1978) 83 Cal.App.3d 515, 521; see also *Kings County Farm Bureau v. City of Hanford* (1990) 221 Cal.App.3d 692, 730-731; and *Laurel Heights Improvement Association v. Regents of the University of California* ("*Laurel Heights I*") (1988) 47 Cal.3d 376, 400-403.)

In cases in which a project's significant effects cannot be mitigated or avoided, an agency, after adopting proper findings, may nevertheless approve the project if it first adopts a statement of overriding considerations setting forth the specific reasons why the agency found that the "benefits of the project outweigh the significant effects on the environment." (Pub. Resources Code, Section 21081, sub. (b); see also, CEQA Guidelines, Sections 15043, sudb. (b), 15093 .)

[2] The maximum amount of SWP water that the PWAs can request pursuant to their individual water supply contract. annual Table A amounts also serve as a basis for allocation of some SWP costs among the contractors.

In the Statement of Overriding Considerations found at the conclusion of this exhibit, DWR identifies the benefit that, in its judgment, outweigh the significant environmental effects that the projects would cause.

The California Supreme Court has stated that "[t]he wisdom of approving ... any development project, a delicate task which requires a balancing of interests, is necessarily left to the sound discretion of the local officials and their constituents who are responsible for such decisions. The law as we interpret and apply it simply requires that those decisions be informed, and therefore balanced." (*Citizens of Goleta* (1990) 52 Cal.3d 553, 564.)

In support of its approval of the proposed project, DWR's findings are set forth below for the potentially significant environmental effects and alternatives of the proposed project identified in the EIR pursuant to Public Resources Code, Section 21080 and Section 15091 of the CEQA Guidelines.

These findings do not attempt to describe the full analysis of each environmental impact contained in the 2018 DEIR and 2020 RDEIR (collectively referred to in this document as the DEIR). Instead, a full explanation of these environmental findings and conclusions can be found in the DEIR and these findings hereby incorporate by reference the discussion and analysis in the DEIR supporting the determination regarding the impacts of the proposed project. In making these findings, DWR ratifies, adopts and incorporates in these findings the determinations and conclusions of the DEIR and Final EIR (FEIR) relating to environmental impacts except to the extent any such determinations and conclusions are specifically and expressly modified by these findings.

As described below and in the DEIR, there were two significant impacts identified for the proposed project and they were associated with groundwater hydrology and water quality. There were no mitigation measures identified in the DEIR to substantially lessen or avoid the potentially significant and significant groundwater resource impacts of the proposed project. Therefore, a Mitigation Monitoring and Reporting Program was not developed for the proposed project and is not included herein.

Unless otherwise specified, all page references presented herein are to the 2020 RDEIR.

2.1. Significant and Unavoidable Impacts

The following significant and potentially significant environmental impacts of the project are unavoidable and cannot be mitigated in a manner that would lessen the significant impact to below the level of significance. Notwithstanding disclosure of these impacts, DWR elects to approve the project due to overriding considerations as set forth below in Section 7, the statement of overriding considerations.

Impact Category: Groundwater Hydrology and Water Quality

Impact 5.10-1: The increase in groundwater pumping associated with changes in transfers and exchanges implemented by PWAs could substantially deplete groundwater supplies in some areas of the study area. [p. 5.10-17 – 5.10-21]

Finding. It is possible that transfers and exchanges of SWP water among the PWAs could result in benefits to groundwater levels, as transferred or exchanged water could be used instead of groundwater supplies or this water could be used for groundwater recharge. However, it is also possible that transfers and exchanges from agricultural to M&I PWAs could result in an increase in groundwater pumping resulting in a net deficit in aquifer volume or lowering the local groundwater table in some areas of the study area. DWR's conclusion is based on a program-level analysis, as there is uncertainty in the amount of groundwater use that may occur.

Because the Sustainable Groundwater Management Act (SGMA) is in the process of being implemented and because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, assumptions related to the ability of SGMA to mitigate any changes in groundwater levels are speculative.

PWAs could propose feasible mitigation measures to reduce significant impacts to less than significant in some cases, although it is not possible for DWR to conclude that feasible mitigation measures would be available to avoid or mitigate significant groundwater effects in all cases. Per CEQA Guidelines Section 15091(a)(2), implementation and enforcement mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

The extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known. Therefore, it is concluded that the potential increase in groundwater pumping could result in a net deficit in aquifer volume or lowering the local groundwater table. **For these reasons, this impact is significant and unavoidable.**

Impact 5.10-2: The increase in groundwater pumping associated with changes in transfers and exchanges implemented by PWAs could result in subsidence in some of the study area. [p. 5.10-22 – 5.10-25]

Finding. It is possible that transfers and exchanges among the PWAs could result in benefits to groundwater levels, as transferred or exchanged water could be used instead of groundwater supplies or this water could be used for groundwater recharge. However, it is also possible that transfers and exchanges from agricultural to M&I PWAs could result in an increase in groundwater pumping in some areas of the study area causing subsidence due to a net deficit in aquifer volume or lowering the local groundwater table. Because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, it is concluded that groundwater pumping in

some areas of the study area would cause subsidence due to a net deficit in aquifer volume or lowering the local groundwater table and the impact would be potentially significant.

Because SGMA is in the process of being implemented and because the extent, location, and implementation timing of groundwater pumping associated with changes in transfers and exchanges implemented by PWAs are not known, assumptions related to the ability of SGMA to mitigate any changes in groundwater levels or related subsidence are speculative.

PWAs could propose feasible mitigation measures to reduce significant impacts to less than significant in some cases, although it is not possible for DWR to conclude that feasible mitigation measures would be available to avoid or mitigate significant groundwater effects in all cases. Per CEQA Guidelines Section 15091(a)(2), implementation and enforcement mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

DWR has no information on specific implementation of the transfers and exchanges from the proposed project and it has no authority to implement mitigation measures in the PWA service area. **For these reasons, this impact is significant and unavoidable.**

Section 3. Cumulative Impacts

Cumulative impacts, as defined in Section 15355 of the CEQA Guidelines, refer to two or more individual effects that, when taken together, are "considerable" or that compound or increase other environmental impacts. Cumulative impacts can result from individually minor, but collectively significant, actions when added to the impacts of other closely related past, present, or reasonably foreseeable future projects. Pertinent guidance for cumulative impact analysis is provided in Section 15130 of the CEQA Guidelines.

The DEIR presents the cumulative impact analysis for the proposed project. Each impact discussion in the DEIR assesses whether the incremental effects of the proposed project could combine with similar effects of one or more of the projects identified in the 2020 RDEIR (p.6-2 – 6.14) to cause or contribute to a significant cumulative effect. If so, the analysis considers whether the incremental contribution of the proposed project would be cumulatively significant (p. 6-8 –6-14).

DWR hereby finds that implementation of the proposed project would not result in physical environmental impacts on the following resource areas: hazards and hazardous materials; noise; population, employment and housing; public services and recreation; surface water hydrology and water quality; transportation; and utilities and service systems. Therefore, these resource areas would not contribute to a cumulative effect and would not compound or increase an environmental impact of these other projects.

The cumulative impact analysis associated with the remaining resource areas (aesthetics, agriculture and forest resources, air quality, biological resources, cultural resources, energy, geology and soils, GHG, groundwater hydrology and water quality, land use and planning, and water supply) focused on six types of impacts that were identified as less than significant or

potential impacts of the proposed project that could contribute to cumulative impacts with the cumulative projects (Contract Extension Project, Monterey Amendment and Settlement Agreement, and Sustainable Groundwater Management Act Implementation) identified in the DEIR. The six types of impacts are impacts to groundwater supplies, subsidence, fallowing and changes in crop patterns, energy and Greenhouse Gas (GHG), reservoir storage, and surface water flow above or below diversions. Impacts associated with fallowing and changes in crop patters, energy and GHG, reservoir storage, and surface water flow above or below diversions were determined to be less than significant with no mitigation required.

Related to groundwater supplies and subsidence, DWR hereby finds as follows:

Groundwater Supplies and Subsidence

Findings. The incremental contribution of the proposed project's effect on groundwater supplies and subsidence would be cumulatively considerable when viewed in connection with the effects of past projects, and current and probable future projects (as full implementation of SGMA is not anticipated until 2040 or 2042). This cumulative impact would be **significant**. PWAs may provide mitigation in their project-level analysis for exchanges and transfers. However, per CEQA Guidelines Section 15091(a)(2), implementation and enforcement mitigation measures are within the responsibility and jurisdiction of another public agency and not the agency making the finding.

Because DWR has no information on specific implementation of the transfers and exchanges from the proposed project and it has no authority to implement mitigation measures in the PWA service area, the cumulative impact would remain **significant and unavoidable**.

Section 4. Significant Irreversible Environmental Changes

According to Sections 15126, subd. (c) and 15126.2, subd. (c) of the CEQA Guidelines, an EIR is required to address any significant irreversible environmental changes that would occur should the proposed project be implemented.

The proposed project would add, delete and modify provisions of the Contracts to clarify terms of the Contracts that will provide greater water management regarding transfers and exchanges of SWP water supply within the service area. The proposed project would not build or modify existing SWP facilities nor change each PWA's contractual maximum Table A amounts. The proposed project would amend and add financial provisions to the Contracts based on the negotiated Agreements in Principle between DWR and the PWAs. Therefore, the proposed project would not result in the commitment of nonrenewable natural resources such as gravel, petroleum products, steel, and slowly renewable resources such as wood products any differently than under existing conditions, and there would be no significant irreversible environmental changes.

Section 5. Growth-Inducing Effects

The CEQA Guidelines Section 15126.2, subd. (d) requires that an EIR evaluate the growth-inducing impacts of a project. As identified in CEQA Section 15126.2(d), growth inducement is not in and of itself an "environmental impact;" however, growth can result in adverse environmental consequences. Growth inducement may constitute an adverse impact if the growth is not consistent with or accommodated by the land use plans and policies for the affected area. Local land use plans, typically General Plans, provide for land use development patterns and growth policies that allow for the "orderly" expansion of urban development supported by adequate urban public services, such as water supply, sewer service, and new roadway infrastructure. A project that would induce "disorderly" growth (i.e., a project in conflict with local land use plans) could indirectly cause adverse environmental impacts. To assess whether a project with the potential to induce growth is expected to result in significant impacts, it is important to assess the degree to which the growth associated with a project would or would not be consistent with applicable land use plans.

In California, cities and counties have primary authority[3] over land use decisions, while water suppliers, through laws and agreements, are expected and usually required to provide water service if water supply is available. Approval or denial of development proposals is the responsibility of the cities and counties in the study area. Numerous laws are intended to ensure that water supply planning, including planning for water supply infrastructure, and land use planning (such as the approval of, or establishment of constraints to, development) proceed in an orderly fashion.

The proposed project would not build new or modify existing SWP facilities nor change each PWA's contractual maximum Table A amounts. As discussed in DEIR Section 5.14, Population, Employment, and Housing, (p. 5.14-2 to 5.14-5) because there would be no new facilities built or existing facilities modified, no housing is proposed as part of the project or required as a result of it, nor would the project provide substantial new permanent employment opportunities. Therefore, the proposed project would not result in direct growth inducement.

Because the proposed project would not result in the construction of new or modification of existing water supply storage, treatment or conveyance facilities it would not remove an obstacle to growth associated with water supply.

As discussed in DEIR Section 5.3 Agricultural and Forestry Resources of the DEIR (p. 5.3-7 to 5.3-9), it is possible that transfers from agricultural to M&I PWAs could result in fallowing of agricultural lands and/or changes in crop patterns (e.g., switching from high water-using crops to low water-using crops) in the study area. It is also possible that exchange of SWP water from agricultural to M&I PWAs could occur. However, these transfers and exchanges and any associated fallowing of agricultural land and/or changes in cropping patterns in the study area would not be anticipated to change the existing agricultural land use designations because the land use would remain in agricultural use. Furthermore, additional water transfers or exchanges

[3] Although cities and counties have primary authority over land use planning, there are exceptions to this such as the CEC (with permit authority and CEQA lead agency status for some thermal power plant projects) and the CPUC (with regulatory authority and CEQA lead agency status for certain utility projects).

are not expected to substantially affect the acreage of land fallowed or put into dry farming compared to existing practices for other reasons (e.g., market conditions, economic conditions, etc.). As a result, it would not be anticipated that there would be a change in land uses associated with delivery of SWP water supplies including, conversion of agricultural land uses to urban uses or increased developed uses in urban areas.

While with the proposed amendments transfers and exchanges could be more frequent and longer in duration, they would not be a permanent transfer of a PWAs annual Table A amounts; therefore, it would not represent a viable long-term source of urban water supply to support additional unplanned growth. Therefore, the proposed amendments would not result in additional water supply that could support growth over what is currently planned for in those jurisdictions and the proposed project would not result in indirect growth inducement.

Furthermore, cities and counties are responsible for considering the environmental effects of their growth and land use planning decisions (including, but not limited to, conversion of agricultural land to urban uses, loss of sensitive habitats, and increases in criteria air emissions). As new developments are proposed, or general plans adopted, local jurisdictions prepare environmental compliance documents to analyze the impacts associated with development in their jurisdiction pursuant to CEQA. The impacts of growth would be analyzed in detail in general plan EIRs and in project-level CEQA compliance documents. Mitigation measures for identified significant impacts would be the responsibility of the local jurisdictions in which the growth would occur. If identified impacts could not be mitigated to a level below the established thresholds, then the local jurisdiction would need to adopt overriding considerations.

Section 6. Alternatives

DWR has considered the project alternatives presented and analyzed in the DEIR and presented during the comment period and public hearing process. DWR finds that these alternatives are infeasible. Based on the impacts identified in the DEIR and other reasons summarized below, and as supported by substantial evidence in the record, DWR finds that approval and implementation of the proposed project as proposed is the most desirable, feasible, and appropriate action and hereby rejects the other alternatives and other combinations and/or variations of alternatives as infeasible based on consideration of the relevant factors set forth in CEQA Guidelines Section 15126.6, subdivision (f). (See also CEQA Guidelines, Section15091, subd. (a)(3).) Each alternative and the facts supporting the finding of infeasibility of each alternative are set forth below.

Alternatives Considered and Dismissed from Further Consideration

The alternative described below was rejected for further consideration (p 7-3 – 7-4).

Implement New Water Conservation Provisions in the Contracts: Agriculture and urban water efficiency, conservation, and management measures are governed by the existing regulatory and legal requirements independent from the proposed project, including Assembly

Bill 1668 and Senate Bill 606. Additional water conservation measures in the Contracts would not provide greater water management regarding transfers and exchanges of SWP water as compared to the proposed project because water conservation is already required. Consequently, these actions are independent from the proposed project and do not meet the basic project objectives. Therefore, amending the Contracts to require implementation of agriculture and M&I water conservation measures was rejected, as these actions are required by state statute and are met by local water agencies under existing law.

Summary of Alternatives Considered

CEQA requires that an EIR describe and evaluate a range of reasonable alternatives to a project or to the location of a project that would feasibly attain most of the basic project objectives and avoid or substantially lessen significant project impacts. The purpose of the alternatives analysis is to determine whether or not a variation of the proposed project would reduce or eliminate significant project impacts within the framework of the project's basic objectives.

The alternatives considered in the DEIR include:

- Alternative 1: No Project
- Alternative 2: Reduce Table A Deliveries
- Alternative 3: Reduced Flexibility in Water Transfers/Exchanges
- Alternative 4: More Flexibility in Water Transfers/Exchanges
- Alternative 5: Only Agriculture to M&I Transfers Allowed

Alternative 1: No Project

Description

CEQA Guidelines section 15126.6, subd. (e) requires consideration of a No Project Alternative. The purpose of this alternative is to allow the decision makers to compare impacts of approving a project with impacts of not approving a project. Under the No Project Alternative, DWR takes no action, and DWR and the PWAs would continue to operate and finance the SWP under the current Contracts.

Facts in Support of Finding of Infeasibility

Alternative 1 would not meet the objective of the project because Alternative 1 does not provide greater water management regarding transfers and exchanges of SWP water supply within the SWP service area and as compared to the proposed project. In addition, impacts under Alternative 1 would be similar but greater when compared to the proposed project. Alternative 1 could result in new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project. In addition, if alternative sources of water are not available, then the less than significant impacts identified for the proposed project could be potentially significant.

Alternative 2: Amending Contract to Reduce Table A Deliveries

Description

Under Alternative 2, as with the proposed project, DWR and the PWAs would agree to amend the Contracts based on the May 20, 2019 AIP. However, unlike the proposed project, the Contracts would be amended to reduce annual Table A amounts proportionately for all the PWAs.

Facts in Support of Finding of Infeasibility

Alternative 2 would not meet the objectives of the project because it would cause a reduction in delivery of annual Table A amounts proportional for all PWAs and would not provide greater water management regarding transfers and exchanges. In addition, impacts under Alternative 2 would be similar but greater when compared to the proposed project. Alternative 2 could result in new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project. In addition, if alternative sources of water are not available, then the less than significant impacts identified for the proposed project could be potentially significant.

Alternative 3: Less Flexibility in Water Transfers/Exchanges

Description

Under Alternative 3, as with the proposed project, DWR and the PWAs would agree to amend the Contracts based on the May 20, 2019 AIP. However, unlike the proposed project, the Contracts would not be amended to modify provisions of the Contracts and clarify certain terms of the Contracts to provide greater water management regarding transfers and exchanges of SWP water supply within the SWP service area. Some increase in flexibility of exchanges and transfers would be agreed to, but not all. For example, Alternative 3 would amend the Contracts to allow PWAs to transfer carryover water in San Luis Reservoir, but only 20 percent of the carryover water (the proposed project allows for 50 percent), allow limited multi-year transfers of five years or less (the proposed project allows for up to the Contract term), and not allow use of Transfer Packages. In addition, unlike the proposed project, PWAs would transfer water based on cost compensation established by DWR. Also, under Alternative 3, the Contracts would not amend the text in Article 56(f) regarding water exchanges to add provisions, such as conducting water exchanges as buyers and sellers in the same year and increasing the compensation allowed to facilitate the exchanges. Therefore, Alternative 3 would result in a similar or slightly less amount of water transfers among the PWAs than the proposed project, due to the less flexibility in water transfers and exchanges.

Facts in Support of Finding of Infeasibility

Alternative 3 would meet the objectives of the project, but to a lesser degree because the water transfers and exchanges would not provide as much water management flexibility regarding transfers and exchanges. In addition, impacts under Alternative 3 would be similar but greater

when compared to the proposed project. Alternative 3 could result in new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project. In addition, if alternative sources of water are not available, then the less than significant impacts identified for the proposed project could be potentially significant.

Alternative 4: More Flexibility in Water Transfer/Exchanges

Description

Under Alternative 4, as with the proposed project, DWR and the PWAs would agree to amend the Contracts. However, unlike the proposed project, the Contracts would be amended to allow PWAs more flexibility in water transfers and exchanges. Similar to the proposed project, PWAs would be able to transfer carryover water in San Luis Reservoir, transfer water for multiple years without permanently relinquishing that portion of their Table A amounts, and transfer water in Transfer Packages. Similar to the proposed project, PWA would be able to transfer water based on terms they establish for cost compensation and duration, and store and transfer water in the same year. Unlike the proposed project that only allows for a single-year transfers associated with carryover water, Alternative 4 would allow transfers and exchanges to include up to 100 percent of a PWA's carryover in San Luis Reservoir and allow multi-year use of its carryover water in both transfers and exchanges. Similar to the proposed project, the proposed exchange provisions of the AIP would establish a larger range of return ratios in consideration of varying hydrology and also maximum compensation with respect to SWP charges and allow PWAs to conduct additional water exchanges as buyers and sellers in the same year.

Facts in Support of Finding of Infeasibility

Alternative 4 would meet the objectives of the project. In addition, Under Alternative 4 the less than significant impacts associated with changes in flow including, adverse effects to special-status fish or terrestrial species, and water supply would be similar to the proposed project. However, similar to the proposed project, there is potential for Alternative 4 to result in a net deficit in aquifer volume, lowering of the local groundwater table, or subsidence in some areas of the study area with impacts that may be significant and unavoidable.

Alternative 5: Greater Water Management – Only Agriculture to M&I Transfers Allowed

Description

Under Alternative 5, as with the proposed project, DWR and the PWAs would agree to amend the Contracts based on the May 20, 2019 AIP.

Unlike the proposed project, DWR and PWAs would amend Contract provisions to allow the transfer of Table A water only from agricultural PWAs to M&I PWAs and not change any current Contract provisions for exchanges. Transfers from M&I PWAs to M&I PWAs, M&I PWAs to agricultural PWAs, and agricultural PWAs to agricultural PWAs would not be allowed. Similar to

the proposed project, PWAs could transfer carryover water in San Luis Reservoir to PWAs, transfer water for multiple years without permanently relinquishing that portion of their Table A amounts and request DWR's approval of Transfer Package; however, unlike the proposed project, these transfers would only be from agricultural PWAs to M&I PWAs. Similar to the proposed project, Alternative 5 would revise the Contract to allow the PWAs to transfer water based on terms they establish for cost compensation and duration. An agricultural PWA would be able to store and transfer water in the same year to M&I PWAs, and transfer up to 50 percent of its carryover water, but only for a single-year transfer to an M&I PWA (i.e., a future or multi-year commitment of transferring carryover water is not allowed). Under Alternative 5, the Contracts would not be amended to modify the text in Article 56(f) regarding water exchanges to include additional provisions, such as conducting water exchanges as buyers and sellers in the same year.

Similar to the proposed project, Alternative 5 would not build new or modify existing SWP facilities nor change any of the PWA's contractual maximum Table A amounts. Also similar to the proposed project, Alternative 5 would not change the water supply delivered by the SWP as SWP water supply would continue to be delivered to the PWAs consistent with current Contracts terms, including Table A and Article 21 deliveries. Operation of the SWP under this alternative would be subject to ongoing environmental regulations including for water rights, water quality and endangered species protection, among other State and federal laws. Also similar to the proposed project, Alternative 5 would not require additional permits or approvals.

Facts in Support of Finding of Infeasibility

Alternative 5 would meet some of the objectives of the project, but to a lesser degree because the water transfers and exchanges would not provide as much water management flexibility regarding transfers and exchanges. In addition, impacts under Alternative 5 would be similar but greater when compared to the proposed project. Alternative 5 could result in new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project. In addition, if alternative sources of water are not available, then the less than significant impacts identified for the proposed project could be potentially significant.

Environmentally Superior Alternative

CEQA Guidelines Section 15126.6 subd. (e) requires the identification of an environmentally superior alternative to the proposed project.

As presented in the DEIR, implementation of the proposed project would result in less than significant or no physical environmental impacts to all resource areas except for impacts related to groundwater supplies and subsidence, which are significant and unavoidable.

Alternative 4 would result in similar impacts as the proposed project (e.g., net deficit in aquifer volume, lowering of the local groundwater table, or subsidence in some areas of the study area). Alternatives 1, 2, 3, and 5 could result in impacts similar or greater (new potentially significant impacts associated with the construction and operation of new water supply facilities that were not identified for the proposed project) than the proposed project. Therefore, because the

proposed project and Alternative 4 would result in similar impacts and the other alternatives may result in similar or greater impacts, Alternative 4 was determined to be the environmentally superior alternative.

Section 7. Statement of Overriding Considerations

DWR hereby declares that, pursuant to CEQA Guidelines Section 15093, it has balanced the benefits of the proposed project against any unavoidable environmental impacts in determining whether to approve the proposed project. Pursuant to the CEQA Guidelines, if the benefits of the proposed project outweigh the unavoidable adverse environmental impacts, those impacts may be considered "acceptable."

Having evaluated the reduction of adverse significant environmental effect of the proposed project to the extent feasible, considered the entire administrative record on the Project, and weighed the benefits of the proposed project against its unavoidable adverse impact, DWR has determined that each of the following benefits of the proposed project separately and individually outweigh the potential unavoidable adverse impacts and render those potential adverse impacts acceptable based upon the following overriding considerations. The following represents the specific reasons to support this determination based on the final EIR and information contained therein.

Water Transfers

The proposed project would add, delete, and modify provisions of the Contracts and clarify certain terms of the Contracts that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area.

The transfer provisions of the proposed project would facilitate the PWAs ability to:

- Transfer SWP water for multiple years and multiple parties without permanently relinquishing that portion of their annual Table A amounts;
- negotiate cost compensation and duration among the PWAs on a willing seller-willing buyer basis for water transfers; and
- Transfer SWP water stored outside of the transferring PWA's service area to the receiving PWA's service area

All these proposed transfer provisions would provide the PWAs with increased flexibility for short-term and long-term planning and management of their SWP water supplies. The proposed project, however, would not include any change to the PWA's permanent annual Table A amounts.

Since the Monterey Amendment, DWR has approved short-term water transfers pursuant to Articles 15(a) and 41, and has administered the short-term Turn-Back Water Pool Program pursuant to Article 56 of the Contracts. The Turn-Back Water Pool Program allows a PWA to sell Table A water that it will not use, subject to certain conditions, for a set price that is either 50

percent or 25 percent of the Delta Water Rate for that year. DWR has also administered, on a demonstration basis, a multi-year water pool program for 2013-2014 and 2015-2016 that allowed PWAs to participate in the two-year program as either a buyer or seller for each of the two years (a decision made at the beginning of each of the two-year programs) with greater compensation for the water than allowed under the Turn-Back Water Pool Program. DWR has allowed transfers of Table A water among two PWAs with the same landowner in their respective service areas that do not include an exchange of money.

The proposed project would remove all language related to the Turn-back Pool from the Contracts and, compared to the Turn-Back Water Pool Program where DWR established the price based on the Delta water rate, the proposed project would revise the Contracts to allow the PWAs to transfer water based on terms they establish for cost compensation and duration. Also, in contrast to the Turn-Back Water Pool Program, a water transfer could be as long as the remainder of the term of the PWA's Contract. In addition, a PWA would be able to store and transfer water in the same year, and transfer up to 50 percent of its carryover water in San Luis Reservoir, but only for a single-year transfer (i.e., a future or multi-year commitment of transferring carryover water is not allowed).

The proposed amendments would result in a greater amount of water transfers among the PWAs than under the current Contract provisions. Based on past experience and discussions with PWAs, most water transfers that occur due to the proposed amendments would occur among the PWAs located south of the Delta and would not involve additional export of SWP water from the Delta. Water transfers would be implemented using the existing physical facilities and existing operational and regulatory processes, including CEQA compliance.

Water Exchanges

The proposed project would amend the text in Article 56(f) regarding water exchanges to include additional provisions. The proposed exchange provisions of the AIP would establish return ratios (up to a 5:1 ratio) based on a consideration of varying hydrology and would set compensation based on a PWA's SWP charges.

The proposed amendments would allow PWAs to exchange carryover water in San Luis Reservoir, and exchange up to 50 percent of their carryover water in a single-year transaction (i.e., a future or multi-year commitment of exchanging carryover water is not allowed). The proposed provisions would also allow PWAs to conduct water exchanges of carryover water as buyers and sellers in the same year.

While DWR has approved water exchanges pursuant to Articles 15(a), 41, and 56(f), the proposed project would provide the PWAs with increased flexibility for short-term and long-term planning of water supplies. Under the proposed project, exchanges may be used more frequently to respond to variations in hydrology, such as wet years, and in single dry-year and multiple dry-year conditions.

Acronyms and Glossary

AIP	Agreement in Principle
CEQA	California Environmental Quality Act
CFR	Code of Federal Regulations
Contracts	Water Supply Contracts
DEIR	Draft Environmental Impact Report
DWR	California Department of Water Resources
EIR	Environmental Impact Report
FEIR	Final EIR
PRC	California Public Resources Code
PWAs	Public Water Agencies
RDEIR	Recirculated Draft Environmental Impact Report
SGMA	Sustainable Groundwater Management Act
SWC	State Water Contractors
SWP	State Water Project

EXHIBIT B

Proposed SWP Contract Amendment

EXHIBIT B

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 19 (THE WATER MANAGEMENT AMENDMENT)
TO WATER SUPPLY CONTRACT
BETWEEN
THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES
AND
PALMDALE WATER DISTRICT

THIS AMENDMENT to the Water Supply Contract is made this _____ day of _____, 20_____ pursuant to the provisions of the California Water Resources Development Bond Act, the Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Palmdale Water District, herein referred to as the "Agency."

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RECITALS

A. The State and the Agency entered into and subsequently amended a water supply contract (the "contract"), dated February 02, 1963, providing that the State shall supply certain quantities of water to the Agency and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and

B. The State and the Agency, in an effort to manage water supplies in a changing environment, explored non-structural solutions to provide greater flexibility in managing State Water Project (SWP) water supplies; and

C. The State and the Agency, in an effort to support the achievement of the coequal goals for the Delta set forth in the Delta Reform Act, sought solutions to develop water supply management practices to enhance flexibility and reliability of SWP water supplies while the Agency is also demonstrating its commitment to expand its water supply portfolio by investing in local water supplies; and

D. The State and the Agency, in response to the Governor's Water Resiliency Portfolio, wish to maintain and diversify water supplies while protecting and enhancing natural systems without changing the way in which the SWP operates; and

E. The State and the Agency sought to create a programmatic solution through transfers or exchanges of SWP water supplies that encourages regional approaches among water users sharing watersheds and strengthening partnerships with local water agencies, irrigation districts, and other stakeholders; and

F. The State and the Agency, in an effort to comply with the Open and Transparent Water Data Platform Act (Assembly Bill 1755), sought means to create greater transparency in water transfers and exchanges; and

G. The State, the Agency and representatives of certain other SWP Contractors have negotiated and agreed upon a document (dated May 20, 2019), the subject of which is " Draft Agreement in Principle for the SWP Water Supply Contract Amendment for Water Management" (the "Agreement in Principle"); and

H. The Agreement in Principle describes that the SWP Water Supply Contract Amendment for Water Management "supplements and clarifies terms of the SWP water supply contract that will provide greater water management regarding transfers and exchanges of SWP water within the SWP service area"; the principles agreed to achieve this without relying upon increased SWP diversions or changing the way in which the SWP operates, and are consistent with all applicable contract and regulatory requirements; and

I. The State, the Agency and those Contractors intending to be subject to the contract amendments contemplated by the Agreement in Principle subsequently prepared an amendment to their respective Contracts to implement the provisions of the Agreement in Principle, and such amendment was named the "SWP Water Supply Contract Amendment for Water Management"; and

J. The State and the Agency desire to implement continued service through the contract and under the terms and conditions of this "SWP Water Supply Contract Amendment for Water Management";

NOW, THEREFORE, IT IS MUTUALLY AGREED that the following changes and additions are hereby made to the Agency's water supply contract with that State:

AMENDED CONTRACT TEXT

ARTICLE 1 IS AMENDED TO ADD THE FOLLOWING DEFINITIONS, PROVIDED THAT IF THIS WATER MANAGEMENT AMENDMENT TAKES EFFECT BEFORE THE CONTRACT EXTENSION AMENDMENT TAKES EFFECT, THE ADDITIONS HEREIN SHALL CONTINUE IN EFFECT AFTER THE CONTRACT EXTENSION AMENDMENT TAKES EFFECT NOTWITHSTANDING THE CONTRACT EXTENSION AMENDMENT'S DELETION AND REPLACEMENT OF ARTICLE 1 IN ITS ENTIRETY:

1. Definitions

(au) **"Article 56 Carryover Water"** shall mean water that the Agency elects to store under Article 56 in project surface conservation facilities for delivery in a subsequent year or years.

ARTICLES 21 and 56 ARE DELETED IN THEIR ENTIRETY AND REPLACED WITH THE FOLLOWING TEXT:

21. Interruptible Water Service

(a) Allocation of Interruptible Water

Each year from water sources available to the project, the State shall make available and allocate interruptible water to contractors in accordance with the procedure in Article 18(a). Allocations of interruptible water in any one year may not be carried over for delivery in a subsequent year, nor shall the delivery of interruptible water in any year impact the Agency's approved deliveries of Annual Table A Amount or the Agency's allocation of water for the next year. Deliveries of interruptible water in excess of the Agency's Annual Table A Amount may be made if the deliveries do not adversely affect the State's delivery of Annual Table A Amount to other contractors or adversely affect project operations. Any amounts of water owed to the Agency as of the date of this amendment pursuant to former Article 12(d), any contract provisions or letter agreements relating to wet weather water, and any Article 14(b) balances accumulated prior to 1995, are canceled. The State shall hereafter use its best efforts, in a manner that causes no adverse impacts upon other contractors or the project, to avoid adverse economic impacts due to the Agency's inability to take water during wet weather.

(b) Notice and Process for Obtaining Interruptible Water

The State shall periodically prepare and publish a notice to contractors describing the availability of interruptible water under this Article. To obtain a supply of interruptible water, including a supply from a transfer of interruptible water, the Agency shall execute a further agreement with the State. The State will timely process such requests for scheduling the delivery of the interruptible water.

(c) Rates

For any interruptible water delivered pursuant to this Article, the Agency shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as if such interruptible water were Table A Amount water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State. The State shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if interruptible water were not scheduled for or delivered to the Agency. Only those contractors not participating in the repayment of the capital costs of a reach shall be required to pay any use of facilities charge for the delivery of interruptible water through that reach.

(d) Transfers of Interruptible Water

(1) Tulare Lake Basin Water Storage District, Empire West-Side Irrigation District, Oak Flat Water District, and County of Kings may transfer to other contractors a portion of interruptible water allocated to them under subdivision (a) when the State determines that interruptible water is available.

(2) The State may approve the transfer of a portion of interruptible water allocated under subdivision (a) to contractors other than those listed in (d)(1) if the contractor acquiring the water can demonstrate a special need for the transfer of interruptible water.

(3) The contractors participating in the transfer shall determine the cost compensation for the transfers of interruptible water.

The transfers of interruptible water shall be consistent with Articles 56(d) and 57.

56. Use and Storage of Project Water Outside of Service Area and Article 56 Carryover Water

(a) State Consent to Use of Project Water Outside of Service Area

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency storing Project Water in a groundwater storage program, project surface conservation facilities and in nonproject surface storage facilities located outside its service area for later use by the Agency within its service area and to the Agency transferring or exchanging Project Water outside its service area consistent with agreements executed under this contract.

(b) Groundwater Storage Programs

The Agency shall cooperate with other contractors in the development and establishment of groundwater storage programs. The Agency may elect to store Project Water in a groundwater storage program outside its service area for later use within its service area. There shall be no limit on the amount of Project Water the Agency can store outside its service area during any year in a then existing and operational groundwater storage program.

(1) **Transfers of Annual Table A Amount stored in a groundwater storage program outside a contractor's service area.**

In accordance with applicable water rights law and the terms of this Article, the Agency may transfer any Annual Table A Amount stored on or after the effective date of the Water Management Amendment in a groundwater storage program outside its service area to another contractor for use in that contractor's service area. These transfers must comply with the requirements of Articles 56(c)(4)(i)-(v), (6) and (7), and Article 57. The Agency will include these transfers in its preliminary water delivery schedule required in Article 12(a).

(2) **Exchanges of any Annual Table A Amount stored in a groundwater storage program outside a contractor's service area.**

In accordance with applicable water rights law and the terms of this Article, the Agency may exchange any Annual Table A Amount stored on or after the effective date of the Water Management Amendment in a groundwater storage program outside its service area with another contractor for use in that contractor's service area. These exchanges must comply with the requirements in Article 56(c)(4)(i)-(v). The Agency shall include these exchanges in its preliminary water delivery schedule pursuant to Article 12(a).

(c) Article 56 Carryover Water and Transfers or Exchanges of Article 56 Carryover Water

(1) In accordance with any applicable water rights laws, the Agency may elect to use Article 56 Carryover Water within its service area, or transfer or exchange Article 56 Carryover Water to another contractor for use in that contractor's service area in accordance with the provisions of subdivision (c)(4) of this Article. The Agency shall submit to the State a preliminary water delivery schedule on or before October 1 of each year pursuant to Article 12(a), the quantity of water it wishes to store as Article 56 Carryover Water in the next succeeding year, and the quantity of Article 56 Carryover Water it wishes to transfer or exchange with another contractor in the next succeeding year. The amount of Project Water the Agency can add to storage in project surface conservation facilities and in nonproject surface storage facilities located outside the Agency's service area each year shall be limited to the lesser of the percent of the Agency's Annual Table A Amount shown in column 2 or the acre-feet shown in column 3 of the following table, depending on the State's final Table A water supply allocation percentage as shown in column 1. For the purpose of determining the amount of Project Water the Agency can store, the final water supply allocation percentage shown in column 1 of the table below shall apply to the Agency. However, there shall be no limit to storage in nonproject facilities in a year in which the State's final water supply allocation percentage is one hundred percent. These limits shall not apply to water stored pursuant to Articles 12(e) and14(b).

1. Final Water Supply Allocation Percentage	2. Maximum Percentage of Agency's Annual Table A Amount That Can Be Stored	3. Maximum Acre-Feet That Can Be Stored
50% or less	25%	100,000
51%	26%	104,000
52%	27%	108,000
53%	28%	112,000
54%	29%	116,000
55%	30%	120,000
56%	31%	124,000
57%	32%	128,000
58%	33%	132,000
59%	34%	136,000
60%	35%	140,000
61%	36%	144,000
62%	37%	148,000
63%	38%	152,000
64%	39%	156,000
65%	40%	160,000
66%	41%	164,000
67%	42%	168,000
68%	43%	172,000
69%	44%	176,000
70%	45%	180,000
71%	46%	184,000
72%	47%	188,000
73%	48%	192,000
74%	49%	196,000
75% or more	50%	200,000

(2) Storage capacity in project surface conservation facilities at any time in excess of that needed for project operations shall be made available to requesting contractors for storage of project and Nonproject Water. If such storage requests exceed the available storage capacity, the available capacity shall be allocated among contractors requesting storage in proportion to their Annual Table A Amounts for that year. The Agency may store water in excess of its allocated share of capacity as long as capacity is available for such storage.

(3) If the State determines that a reallocation of excess storage capacity is needed as a result of project operations or because of the exercise of a contractor's storage right, the available capacity shall be reallocated among contractors requesting storage in proportion to their respective Annual

Table A Amounts for that year. If such reallocation results in the need to displace water from the storage balance for any contractor or noncontractor, the water to be displaced shall be displaced in the following order of priority:

First, water, if any, stored for noncontractors;

Second, water stored for a contractor that previously was in excess of that contractor's allocation of storage capacity; and

Third, water stored for a contractor that previously was within that contractor's allocated storage capacity.

The State shall determine whether water stored in a project surface water conservation facility is subject to displacement and give as much notice as feasible of a potential displacement. If the Agency transfers or exchanges Article 56 Carryover Water pursuant to this subdivision to another contractor for storage in such facility, the State shall recalculate the amount of water that is subject to potential displacement for both contractors participating in the transfer or exchange. The State's recalculation shall be made pursuant to subdivision (4) of this Article.

(4) **Transfers or Exchanges of Article 56 Carryover Water**

The Agency may transfer or exchange its Article 56 Carryover Water as provided in this subdivision under a transfer or an exchange agreement with another contractor. Water stored pursuant to Articles 12(e) and 14(b) and Nonproject Water shall not be transferred or exchanged. Transfers or exchanges of Article 56 Carryover Water under this subdivision shall comply with subdivision (f) of this Article and Article 57 as applicable, which shall constitute the exclusive means to transfer or exchange Article 56 Carryover Water.

On or around January 15 of each year, the State shall determine the maximum amount of Article 56 Carryover Water as of January 1 that will be available for transfers or exchanges during that year. The State's determination shall be consistent with subdivisions (c)(1) and (c)(2) of this Article.

The State shall timely process requests for transfers or exchanges of Article 56 Carryover Water by participating contractors. After execution of the transfer or exchange agreement between the State and the contractors participating in the transfer or exchange, the State shall recalculate each contractor's storage amounts for the contractors participating in the transfer or exchange. The State's recalculation shall result in an increase by an amount of water within the storage amounts for the contractor receiving the water and a decrease by the same amount of water for the contractor transferring or exchanging water. The State's recalculation shall be based on the criteria set forth in the State's transfer or exchange agreement with the participating contractors. The State's calculations shall also apply when a contractor uses Article 56 Carryover Water to complete an exchange.

Transfers and exchanges of Article 56 Carryover Water shall meet all of the following criteria:

(i) Transfers or exchanges of Article 56 Carryover Water are limited to a single-year. Project Water returned as part of an exchange under subdivision (c)(4) may be returned over multiple years.

(ii) The Agency may transfer or exchange an amount up to fifty percent (50%) of its Article 56 Carryover Water to another contractor for use in that contractor's service area.

(iii) Subject to approval of the State, the Agency may transfer or exchange an amount greater than 50% of its Article 56 Carryover Water to another contractor for use in that contractor's service area. The Agency seeking to transfer or exchange greater than 50% of its Article 56 Carryover Water shall submit a written request to the State for approval. The Agency making such a request shall demonstrate to the State how it will continue to meet its critical water needs in the current year of the transfer or exchange and in the following year.

(iv) The contractor receiving the water transferred or exchanged under subdivisions (4)(i) or (ii) above shall confirm in writing to the State its need for the water that year and shall take delivery of the water transferred or exchanged in the same year.

(v) Subject to the approval of the State, the Agency may seek an exception to the requirements of subdivisions (4)(i), (ii), and (iii) above. The Agency seeking an exception shall submit a written request to the State demonstrating to the State the need for 1) using project surface conservation facilities as the transfer or exchange point for Article 56 Carryover Water if the receiving contractor cannot take delivery of the transfer or exchange water in that same year, 2) using project surface conservation facilities for the transfer or exchange of one contractor's Article 56 Carryover Water to another contractor to reduce the risk of the water being displaced, or 3) for some other need.

(5) The restrictions on storage of Project Water outside the Agency's service area provided for in this subdivision (c), shall not apply to storage in any project off-stream storage facilities constructed south of the Delta after the date of the Monterey Amendment.

(6) For any Project Water stored outside its service area pursuant to subdivisions (b) and (c), the Agency shall pay the State the same (including adjustments) for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water as the Agency pays for the transportation of Annual Table A Amount to the reach of the project transportation facility from which the water is delivered to storage. If Table A Amount is stored, the Delta Water Charge shall be charged only in the year of delivery to interim storage. For any stored water returned to a project transportation facility for final delivery to its service area, the Agency shall pay the State the same for power resources (including on-aqueduct, off-aqueduct, and any other power) incurred in the transportation of such water calculated from the point of

return to the aqueduct to the turn-out in the Agency's service area. In addition, the Agency shall pay all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the State, which shall not include any administrative or contract preparation charge. Incremental costs shall mean those nonpower costs which would not be incurred if such water were scheduled for or delivered to the Agency's service area instead of to interim storage outside the service area. Only those contractors not participating in the repayment of a reach shall be required to pay a use of facilities charge for use of a reach for the delivery of water to, or return of water from, interim storage.

(7) If the Agency elects to store Project Water in a nonproject facility within the service area of another contractor it shall execute a contract with that other contractor prior to storing such water which shall be in conformity with this Article and will include at least provisions concerning the point of delivery and the time and method for transporting such water.

(d) Non-Permanent Water Transfers of Project Water

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency transferring Project Water outside its service area in accordance with the following:

(1) The participating contractors shall determine the duration and compensation for all water transfers, including single-year transfers, Transfer Packages and multi-year transfers.

(2) The duration of a multi-year transfer shall be determined by the participating contractors to the transfer, but the term of the transfer agreement shall not extend beyond the term of the Contract with the earliest term.

(3) A Transfer Package shall be comprised of two or more water transfer agreements between the same contractors. The State shall consider each proposed water transfer within the package at the same time and shall apply the transfer criteria pursuant to Article 57 in the review and approval of each transfer. The State shall not consider a Transfer Package as an exchange.

(e) Continuance of Article 12(e) Carry-over Provisions

The provisions of this Article are in addition to the provisions of Article 12(e), and nothing in this Article shall be construed to modify or amend the provisions of Article 12(e). Any contractor electing to transfer or exchange Project Water during any year in accordance with the provisions of subdivision (c) of this Article, shall not be precluded from using the provisions of Article 12(e) for carrying over water from the last three months of that year into the first three months of the succeeding year.

(f) Bona Fide Exchanges Permitted

Notwithstanding the provisions of Article 15(a), the State hereby consents to the Agency exchanging Project Water outside its service area consistent with this Article. Nothing in this Article shall prevent the Agency from entering into bona fide exchanges of Project Water for use outside the Agency's service area with other parties for Project Water or Nonproject Water if the State consents to the use of the Project Water outside the Agency's service area. Also, nothing in this Article shall prevent the Agency from continuing those exchange or sale arrangements entered into prior to September 1, 1995. Nothing in this Article shall prevent the Agency from continuing those exchange or sale arrangements entered into prior to the effective date of this Amendment which had previously received any required State approvals. The State recognizes that the hydrology in any given year is an important factor in exchanges. A "bona fide exchange" shall mean an exchange of water involving the Agency and another party where the primary consideration for one party furnishing water to another party is the return of a substantially similar amount of water, after giving due consideration to the hydrology, the length of time during which the water will be returned, and reasonable payment for costs incurred. In addition, the State shall consider reasonable deductions based on expected storage or transportation losses that may be made from water delivered. The State may also consider any other nonfinancial conditions of the return. A "bona fide exchange" shall not involve a significant payment unrelated to costs incurred in effectuating the exchange. The State, in consultation with the contractors, shall have authority to determine whether a proposed exchange of water constitutes a "bona fide exchange" within the meaning of this paragraph and not a disguised sale.

(g) Exchanges of Project Water

Exchanges of Project Water shall be consistent with Article 57. In addition, the State shall apply the following criteria to its review of each exchange of Project Water as set forth below:

(1) **Exchange Ratio**

Exchange ratio shall mean the amount of water delivered from a contractor's project supply in a year to another contractor compared to the amount of water returned to the first contactor in a subsequent year by the other contactor. All exchanges shall be subject to the applicable exchange ratio in this Article as determined by the allocation of available supply for the Annual Table A Amount at the time the exchange transaction between the contractors is executed.

(a) For allocations greater than or equal to 50%, the exchange ratio shall be no greater than 2 to 1.

(b) For allocations greater than 25% and less than 50%, the exchange ratio shall be no greater than 3 to 1.

(c) For allocations greater than 15% and less than or equal to 25%, the exchange ratio shall be no greater than 4 to 1.

(d) For allocations less than or equal to 15%, the exchange ratio shall be no greater than 5 to 1.

(2) **Cost Compensation**

The State shall determine the maximum cost compensation calculation using the following formula:

The numerator shall be the exchanging contractor's conservation minimum and capital and transportation minimum and capital charges, including capital surcharges. DWR will set the denominator using the State Water Project allocation which incorporates the May 1 monthly Bulletin 120 runoff forecast.

If the Agency submits a request for approval of an exchange prior to May 1, the State shall provide timely approval with the obligation of the contractors to meet the requirement of the maximum compensation. If the maximum compensation is exceeded because the agreement between the

contractors is executed prior to the State Water Project allocation as defined in (c)(2) above, the contractors will revisit the agreement between the two contractors and make any necessary adjustments to the compensation. If the contractors make any adjustments to the compensation, they shall notify the State.

(3) **Period During Which the Water May Be Returned:**

The period for the water to be returned shall not be greater than 10 years and shall not go beyond the expiration date of this Contract. If the return of the exchange water cannot be completed within 10 years, the State may approve a request for an extension of time.

(h) Other Transfers

Nothing in this Article shall modify or amend the provisions of Articles 15(a), 18(a) or Article 41, except as expressly provided for in subdivisions (c) and (d) of this Article and in subdivision (d) of Article 21.

NEW CONTRACT ARTICLES

ARTICLE 57 IS ADDED TO THE CONTRACT AS A NEW ARTICLE AS FOLLOWS:

57. Provisions Applicable to Both Transfers and Exchanges of Project Water

(a) Nothing in this Article modifies or limits Article 18 (a).

(b) Transfers and exchanges shall not have the protection of Article 14(b).

(b) The Agency may be both a buyer and seller in the same year and enter into multiple transfers and exchanges within the same year.

(d) Subject to the State's review and approval, all transfers and exchanges shall satisfy the following criteria:

(1) Transfers and exchanges shall comply with all applicable laws and regulations.

(2) Transfers and exchanges shall not impact the financial integrity of the State Water Project, Transfers and exchange agreements shall include provisions to cover all costs to the State for the movement of water such as power costs and use of facility charge.

(3) Transfers and exchanges shall be transparent, including compliance with subdivisions (g) and (h) of this Article.

(4) Transfers and exchanges shall not harm other contractors not participating in the transfer or exchange.

(5) Transfers and exchanges shall not create significant adverse impacts to the service area of each contractor participating in the transfer or exchange.

(6) Transfers and exchanges shall not adversely impact State Water Project operations.

(e) The Agency may petition the State and the State shall have discretion to approve an exception to the criteria set forth in subdivision (d) in the following cases:

(1) When a transfer or an exchange does not meet the criteria, but the Agency has determined that there is a compelling need to proceed with the transfer or exchange.

(2) When the Agency has received water in a transfer or an exchange and cannot take all of the water identified in the transaction in the same year, the Agency may request to store its water consistent with Article 56(c), including in San Luis Reservoir.

(f) The State will timely process such requests for scheduling the delivery of the transferred or exchanged water. Contractors participating in a transfer or an exchange shall submit the request in a timely manner.

(g) The Agency shall, for each transfer or exchange it participates in, confirm to the State in a resolution or other appropriate document approving the transfer or exchange, including use of Article 56(c) stored water, that:

(1) The Agency has complied with all applicable laws.

(2) The Agency has provided any required notices to public agencies and the public.

(3) The Agency has provided the relevant terms to all contractors and to the Water Transfers Committee of the State Water Contractors Association.

(4) The Agency is informed and believes that the transfer or exchange will not harm other contractors.

(5) The Agency is informed and believes that the transfer or exchange will not adversely impact State Water Project operations.

(6) The Agency is informed and believes that the transfer or exchange will not affect its ability to make all payments, including payments when due under its Contract for its share of the financing costs of the State's Central Valley Project Revenue Bonds.

(7) The Agency has considered the potential impacts of the transfer or exchange within its service area.

(h) Dispute Resolution Process Prior to Executing an Agreement

The State and the contractors shall comply with the following process to resolve disputes if a contractor that is not participating in the transfer or exchange claims that the proposed transfer and/or exchange has a significant adverse impact.

(1) Any claim to a significant adverse impact may only be made after the Agency has submitted the relevant terms pursuant to Article

57(g)(3) and before the State approves a transfer or an exchange agreement.

(2) In the event that any dispute cannot be resolved among the contractors, the State will convene a group including the Department's Chief of the State Water Project Analysis Office, the Department's Chief Counsel and the Department's Chief of the Division of Operations or their designees and the contractors involved. The contractor's representatives shall be chosen by each contractor. Any contractor claiming a significant adverse impact must submit written documentation to support this claim and identify a proposed solution. This documentation must be provided 2 weeks in advance of a meeting of the group that includes the representatives identified in this paragraph.

(3) If this group cannot resolve the dispute, the issue will be taken to the Director of the Department of Water Resources and that decision will be final.

WATER MANAGEMENT AMENDMENT IMPLEMENTING AND ADMINISTRATIVE PROVISIONS

IT IS FURTHER MUTUALLY AGREED that the following provisions, which shall not be part of the Water Supply Contract text, shall be a part of this Amendment and be binding on the Parties.

1. EFFECTIVE DATE OF WATER MANAGEMENT AMENDMENT

(a) The Water Management Amendment shall take effect ("Water Management Amendment effective date") on the last day of the calendar month in which the State and 24 or more contractors have executed the Water Management Amendment, unless a final judgment by a court of competent jurisdiction has been entered that the Water Management Amendment is invalid or unenforceable or a final order has been entered that enjoins the implementation of the Water Management Amendment.

(b) If any part of the Water Management Amendment of any contractor is determined by a court of competent jurisdiction in a final judgment or order to be invalid or unenforceable, the Water Management Amendments of all contractors shall be of no force and effect unless the State and 24 or more contractors agree any the remaining provisions of the contract may remain in full force and effect.

(c) If 24 or more contractors have not executed the Water Management Amendment by February 28, 2021 then within 30 days the State, after consultation with the contractors that have executed the amendment, shall make a determination whether to waive the requirement of subdivision (a) of this effective date provision. The State shall promptly notify all contractors of the State's determination. If the State determines, pursuant to this Article to allow the Water Management Amendment to take effect, it shall take effect only as to those consenting contractors.

(d) If any contractor has not executed the Water Management Amendment within sixty (60) days after its effective date pursuant to subdivisions (a) through (c) of this effective date provision, this Amendment shall not take effect as to such contractor unless the contractor and the State, in its discretion, thereafter execute such contractor's Water Management Amendment, in which case the Water Management Amendment effective date for purposes of that contractor's Amendment shall be as agreed upon by the State and contractor, and shall replace the effective date identified in subdivision (a) for that contractor.

2. ADMINISTRATION OF CONTRACTS WITHOUT WATER MANAGEMENT AMENDMENT

The State shall administer the water supply contracts of any contractors that do not execute the Water Management Amendment in a manner that is consistent with the contractual rights of such contractors. These contractors' rights are not anticipated to be affected adversely or benefited by the Water Management Amendments.

3. OTHER CONTRACT PROVISIONS

Except as amended by this Amendment, all provisions of the contract shall be and remain the same and in full force and effect, provided, however, that any reference to the definition of a term in Article 1, shall be deemed to be a reference to the definition of that term, notwithstanding that the definition has been re-lettered within Article 1. In preparing a consolidated contract, the parties agree to update all such references to reflect the definitions' lettering within Article 1.

4. DocuSign

The Parties agree to accept electronic signatures generated using DocuSign as original signatures.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the date first above written.

Approved as to Legal Form
and Sufficiency:

_____
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

_____
Director

_____
Date

Approved as to Form:

_____
General Counsel
Palmdale Water District

PALMDALE WATER DISTRICT

_____
General Manager

_____
Date