

JOINT EXERCISE OF POWERS AGREEMENT

Between the

**COUNTY OF INYO
California**

and the

CREATING THE

**OWENS VALLEY
GROUNDWATER AUTHORITY**

DRAFT

OWENS VALLEY GROUNDWATER AUTHORITY
JOINT POWERS AGREEMENT

This Joint Exercise of Powers Agreement (“**Agreement**”) forming the Owens Valley Groundwater Authority is made and entered into this _____ day of _____, 2017, (“Effective Date”), by and among the public agencies listed on the attached Exhibit “A” executing this Agreement (collectively referred to as the “Members” and individually “Member”) for the purpose of forming a Groundwater Sustainability Agency (“GSA”) and achieving groundwater sustainability in the Owens Valley Groundwater Basin.

WHEREAS, California enacted a series of laws collectively referred to as the Sustainable Groundwater Management Act, found in Part 2.74 of Division 6 of the California Water Code (“SGMA”); and

WHEREAS, the SGMA requires each California groundwater basin or sub-basin be managed by a Groundwater Sustainability Agency (“GSA”), or multiple GSAs, and that such management be implemented pursuant to an approved Groundwater Sustainability Plan(s) (“GSP”); and

WHEREAS, the SGMA, at Water Code § 10723.6(a), authorizes certain local agencies, as defined, to form a GSA via joint powers agreement; and

WHEREAS, Government Code § 6500 et seq. (hereinafter referred to as the “Act”) authorizes municipalities and counties to jointly exercise any power common to them all; and

WHEREAS, each of the Members are local agencies, authorized to form a GSA via joint powers agreement, with jurisdictional boundaries covering portions of the Owens Valley Groundwater Basin (Basin No. 6-12 in the Department of Water Resources Bulletin 118 Update 2016, henceforth the “Basin”); and

WHEREAS, the Members desire to create the Owens Valley Groundwater Authority pursuant to the Act as authorized by the SGMA in order to jointly exercise their powers as a GSA for the purpose of creating a GSP to be implemented within their combined jurisdictional boundaries in the Basin; and

WHEREAS, subsequent to forming the GSA via this Agreement, the Members intend to engage with other agencies and entities that are not eligible to form a GSA, (“Associates” or “Interested Parties”) to allow them to participate in the GSA as contemplated by SGMA and by this Agreement; and

WHEREAS, the Members intend the GSA created through the Authority to engage with any other GSA(s) formed within the Basin in order to either coordinate the creation of a single GSP, or to coordinate their respective GSPs as required by the SGMA; and

WHEREAS, the Members intend that the GSP created through this GSA, if possible, be coordinated with any groundwater management plan of other agencies that have lands overlying SGMA-exempt areas within the Basin; and

WHEREAS, through this Agreement the Members intend take advantage of economies of scale to obtain the most cost-effective consulting, technical and professional services for the development and implementation of a GSP.

NOW, THEREFORE, IT IS MUTUALLY AGREED by the Members, as follows:

ARTICLE I

CREATION AND OPERATION OF THE OWENS VALLEY GROUNDWATER AUTHORITY

1 CREATION OF THE AUTHORITY:

Upon adoption of this Agreement by two or more Members, pursuant to the Act and as authorized by the SGMA, there is hereby created a joint powers authority known as the Owens Valley Groundwater Authority (“Authority”). The Authority shall be, to the extent provided by law, a public entity separate from the Members of this Agreement.

Within thirty (30) days of the adoption of this Agreement by two or more Members, the Authority shall prepare the notice required by Government Code Section 6503.5, file it with the Secretary of State, and pay any fees for such filing that the Secretary of State may charge. In addition, the Board of Directors of the Authority shall file the statements required by and in accordance with Government Code Section 53051.

2 TERM: This Agreement shall become operative on the Effective Date provided that at least two of the Members listed in Exhibit A have executed this Agreement by said date.

DRAFT

This Agreement shall remain in effect until terminated by the unanimous written consent of all then active Members or when there are less than two Members remaining in the Authority; provided, however, that this Agreement shall remain in effect during the term of any contractual obligation or indebtedness of the Authority that was previously

approved by the Board of Directors.

3 MEMBERSHIP:

3.1 MEMBERS. The Members of the Authority shall be the public agencies listed on the attached Exhibit "A" that have executed this Agreement by August 1, 2017, so long as their Membership has not been withdrawn or terminated pursuant to the provisions Article VI of this Agreement. If an eligible agency listed in Exhibit A has not executed this Agreement by August 1, 2017, they will lose their right to join through execution of this Agreement and their membership will be subject to the process for inclusion of new Members set forth in Section 3.2 below.

3.2 NEW MEMBERS.

The Board may approve an application for a new Member to join the Authority through a majority of the votes of the Board so long as: 1) the new Member is a local agency that is qualified to join the Authority as a GSA forming party under the provisions of SGMA and the Act; and, 2) the new Member agrees to or has met any other conditions that the Board may establish from time to time.

Once an application is deemed complete by the Board of Directors, the governing bodies for each of the Members shall be sent the application for their consideration and possible approval. For a new Member to be admitted the application must be unanimously approved by the Members acting through their governing bodies.

Upon a new Member joining the Authority pursuant to this section, said new Member and the Authority shall take all steps necessary to revise the Owens Valley GSA boundaries to incorporate any new areas of the Basin into the GSA's jurisdiction in a manner consistent with that contemplated by Article II Section 3.2 of this Agreement.

3.3 ASSOCIATES & INTERESTED PARTIES.

The participating Associates and Interested Parties shall be those entities participating in the GSA pursuant to Article V below.

4 GOVERNING BOARD:

4.1 BOARD DIRECTORS. The Authority shall be administered by a governing board. The governing board shall be called the "Board of Directors of the Authority," (hereafter referred to as the "Board of Directors"). The Board of Directors shall consist of members appointed as follows:

4.1.1 Member Appointments: Each Member's governing body shall appoint one Primary Director and one Alternate Director (sometimes individually

referred to herein as a “Director”). The Alternate Director shall serve and assume the rights and duties of the Primary Director when the Primary Director is unable to attend a Board of Directors meeting. The Primary and Alternate Directors for all Members shall be elected members of their governing bodies. Directors shall serve at the pleasure of the governing body appointing them and they may be removed at any time, with or without cause, in the sole discretion of their governing body. Each Director shall hold office until their successor is selected by their governing body and the Authority has been notified of the succession.

4.1.2 Associate & Interested Party Appointments: Associates and Interested Parties shall make appointments as set forth in **Article V** of this Agreement.

5 BOARD MEETINGS AND ACTIONS: All meetings of the Board of Directors shall be public meetings noticed, held, and conducted in accordance with the provisions of the Ralph M. Brown Act (California Government Code sections 54950, et seq.). The Board of Directors may use teleconferencing in connection with any meeting in conformance with, and to the extent authorized by, applicable law. The Board of Directors may further establish rules of conduct for its meetings provided that said rules do not conflict with the Ralph M. Brown Act or other applicable law.

5.1 INITIAL MEETING. The initial meeting of the Board of Directors shall be held at a location overlying the Basin within forty five days (45) days of the Effective Date of this Agreement. At the initial meeting the Board of Directors shall establish a principal office for the Authority, which shall be located at a place overlying the Basin. The Board of Directors may change the principal office from time to time as it sees fit so long as that principal office remains at a location overlying the Basin.

5.2 REGULAR MEETING SCHEDULE. The Board of Directors shall establish a regular meeting time and place at the initial meeting of the Board. The Board of Directors may vote to change the regular meeting time and place provided that the new location remains at a place overlying the Basin and within the jurisdictional boundaries of the Authority.

5.3 SPECIAL MEETINGS. Special meetings of the Board of Directors shall be conducted pursuant to California Government Code section 54956 and they may be called by the Chairperson, or by the concurrence of any two Primary Directors appointed by the Members.

5.4 ADVISORY COMMITTEES. The Board of Directors may from time to time establish advisory committees for the purpose of making recommendations to the Board of Directors on the various activities of the Authority. The establishment and dissolution of any committee and its duties shall require a majority of the votes of the Board of Directors and the activities of the committee shall be subject to the provisions of the Ralph M. Brown Act (California Government Code sections 54950, et seq.).

Committees shall exist for the term specified in the action creating the committee. A Committee may use teleconferencing in connection with any meeting in conformance with, and to the extent authorized by, applicable law. The Board of Directors may further establish rules of conduct for Committees of the Board meetings provided that said rules do not conflict with the Ralph M. Brown Act or other applicable law.

5.5 QUORUM. A quorum of the Board of Directors shall consist of majority of the Directors. Notwithstanding the above, the Authority shall not conduct business at a meeting in the absence of a majority of Directors appointed by the Members participating in such a meeting, beyond the adjournment of a meeting by the remaining Board Members. A Director shall be deemed present for the determination of a quorum if the Director is present at the meeting in person or if he/she participates in the meeting remotely as may be permitted by the Ralph M. Brown Act. Action taken by the Board of Directors shall require the affirmative vote of a majority of the voting shares on the Board of Directors, unless otherwise provided by this Agreement.

5.6 FISCAL YEAR: The fiscal year of the Authority shall be from July 1 through June 30 unless otherwise changed by Resolution of the Board of Directors.

5.7 BYLAWS, POLICY AND PROCEDURE MANUAL: Within the first six (6) months of the Authority's existence, the Board of Directors shall establish Bylaws and a Policy and Procedure Manual to govern the day-to-day operations of the Authority, in a manner consistent with applicable law and this Agreement. Each Director and their respective governing bodies shall receive a copy of the Bylaws and the Policy and Procedure Manual. Thereafter, the Board Directors may amend or repeal any bylaw, regulation, or policy and procedure, and may adopt additional bylaws, regulations, or policies and procedures that are consistent with applicable law and this Agreement. The Executive Manager shall send to each Director and to all of their respective appointing authorities all Bylaw amendments promptly after adoption by the Board of Directors.

5.8 ADOPTION OF ANNUAL BUDGET: Except as provided for in Article II Section 4.1, the Board of Directors shall adopt the annual budget of the Authority on or before May 1, by a majority of the votes of the Directors appointed by the Members and Associates.

5.9 ANNUAL REPORT: By April 1 of each year, the Authority shall prepare an annual report of its operation, in a form determined by the Board of Directors.

//

DRAFT

//

//

ARTICLE II

PURPOSE, POWERS AND DUTIES

1 **PURPOSE:** The purpose of this Agreement in creating the Authority is to provide for the joint exercise of powers common to the Members, including those additional powers granted by SGMA, to, among other things, cooperatively carry out the requirements of the SGMA, including, but not limited to, serving as the GSA for the Basin within the jurisdictional boundaries of the Authority-formed GSA and developing, adopting and implementing a GSP that achieves groundwater sustainability in the Basin.

2 **POWERS:** In accordance with California Government Code section 6509, the Authority's powers shall be subject to the restrictions upon the manner of exercising such powers pertaining to the County of Inyo.

2.1 In order to carry out its purpose, the Authority shall possess the ability to exercise those powers granted by the Act and by the SGMA. Additionally, the Authority shall possess the ability to exercise the common powers of its Members related to the purposes of the Authority, including but not limited to the following:

2.1.1 To become the GSA for the Basin pursuant to the SGMA and in a manner consistent with Section 3.3 below;

2.1.2 To develop, adopt, and implement a GSP for the Basin pursuant to SGMA;

2.1.3 To provide all services necessary to operate the GSA and implement the GSP;

2.1.4 To adopt rules, regulations, policies, bylaws and procedures governing the operation of the Authority and the adoption and implementation of the GSP;

2.1.5 To contract for the services of engineers, attorneys, planners, financial consultants, employees, agents and representatives, and/or to directly employ or appoint any such persons as it deems appropriate;

2.1.6 To collect and monitor all data related and beneficial to the development, adoption and implementation of the GSP for the Basin;

2.1.7 To issue revenue bonds or other appropriate public or private debt and incur debts, liabilities or obligations in connection with the operation, maintenance, administration and management of any facilities required to carry out these purposes;

2.1.8 To levy assessments, charges and fees as provided in SGMA;

2.1.9 To regulate and monitor groundwater extractions as permitted by SGMA, provided that this provision does not extend to a Member's or Associate's operation of its system to distribute water once extracted or otherwise obtained, unless and to the extent required by other laws;

2.1.10 To establish and administer water banking programs for the benefit of the Basin;

2.1.11 To establish and administer water recycling, recapturing or purifying programs for the benefit of the Basin;

2.1.12 To distribute water in exchange for the cessation or reduction of groundwater extractions;

2.1.13 To spread, sink, and inject water into the Basin;

2.1.14 To store, transport, recapture, recycle, purify, treat, or otherwise manage and control water for the beneficial use of persons and property within the Basin;

2.1.15 For the common benefit of the Basin, to store water within and outside of the Basin, to appropriate water and acquire water rights, to import water, and to conserve, or cause the conservation of, water within or outside of the Basin;

2.1.16 To cooperate, act in conjunction and contract with the United States, the State of California, or any agency thereof, counties, municipalities, public and private corporations of any kind (including without limitation, investor-owned utilities), and individuals, or any of them, for any and all purposes necessary or convenient for the full exercise of the powers of the Authority;

2.1.17 To accumulate operating and reserve funds and invest the same as allowed by law for the purposes of the Authority;

2.1.18 To apply for and accept grants, contributions, donations and loans under any federal, state or local programs for assistance in developing or implementing any of its projects or programs in connection with any project undertaken in the Authority's name for the purposes of the Authority;

2.1.19 To acquire by negotiation or condemnation or any other lawful authority, lease, purchase, construct, hold, manage, maintain, operate and dispose of any buildings, property, water rights, works or improvements within and

without the respective boundaries of the Members necessary to accomplish the purposes described herein;

2.1.20 To invest funds pursuant to California Government Code section 6509.5 or other applicable State Law;

2.1.21 To sue and be sued in its own name;

2.1.22 Any power necessary or incidental to the foregoing powers in the manner and according to the procedures provided for under the law applicable to the Members to this Agreement;

2.1.23 Any additional powers conferred under SGMA or the Act or under applicable law, insofar as such powers are needed to accomplish the purposes of SGMA, including all powers granted to the Authority under Article 4 of the Act which are in addition to the common powers of the Members, including the power to issue bonds or otherwise incur debts, liabilities or obligations to the extent authorized by the Act or any other applicable provision of law and to pledge any property or revenues of the rights thereto as security for such bonds and other indebtedness.

2.2 WATER RIGHTS AND ADDITIONAL CONSIDERATIONS.

As set forth in California Water Code section 10723.2, and any future amendments to SGMA, the GSA shall consider the interests of all beneficial uses and users of groundwater in the Basin, as well as those responsible for implementing the GSP. Additionally, as set forth in California Water Code section 10720.5(a), and any future amendments to SGMA, any GSP adopted pursuant to this Agreement shall be consistent with Section 2 of Article X of the California Constitution and nothing in this Agreement modifies the rights or priorities to use or store groundwater consistent with Section 2 of Article X of the California Constitution, with the exception that no extraction of groundwater between January 1, 2015 and the date the GSP is adopted may be used as evidence of, or to establish or defend against, any claim of prescription. Likewise, as set forth in California Water Code section 10720.5(b), and any future amendments to SGMA, nothing in this Agreement or any GSP adopted pursuant to this Agreement determines or alters surface water rights or groundwater rights under common law or any provision of law that determines or grants water rights.

2.3 PRESERVATION OF POLICE POWERS.

Nothing set forth in this Agreement shall be deemed to modify or otherwise limit a county's or city's police powers in any way or its authority to regulate groundwater under existing law or any amendment thereto.

3 NOTICES OF ADOPTION AND GSA RESCISSION AND FORMATION: The Authority and its Members shall have the following specific duties:

3.1 NOTICE TO MEMBERS. Within forty-eight hours after adoption of this Agreement by the governing board of a Member, said Member shall notify all other Members of said adoption of this Agreement.

3.2 NOTICE TO DWR BY AUTHORITY. As required by SGMA, the Authority shall file a notice with DWR of its intent to be the GSA for the portions of the Basin covered by the combined jurisdictional boundaries of all Members, excluding any portion of the Basin covered by a valid notice from another, non-Member local public agency if the failure to exclude would result in overlapping applications as contemplated by Water Code Section 10723.8(c). Notwithstanding the foregoing, the Authority may elect to include overlapping areas in a subsequent amended notice filed with DWR so long as that application does not substantially impair the ability of the Authority to fulfill its purpose while the application is pending.

3.3 NOTICE TO DWR BY MEMBERS. Within thirty (30) days of a public hearing held by the Authority pursuant to Water Code Section 10723.(b) where the Authority decides to become a GSA within the Basin, any Member that previously notified the California Department of Water Resources (DWR) of its intent to be a GSA in the Basin (“Original Notice”) pursuant to Water Code Section 10728.3 shall formally notify DWR, in writing, of its intent to withdraw or rescind such notification in order to allow the Authority to become the exclusive GSA for the area of the Basin covered by that Original Notice (“Rescission Notice”). Said Rescission Notice shall be expressly contingent upon the Authority becoming the exclusive GSA for the areas of the Basin covered by the Original Notice.

4 GSP BUDGET, ADOPTION, AND MANAGEMENT AREAS:

4.1 GSP DEVELOPMENT BUDGET. Notwithstanding any provision herein to the contrary, within six months of the formation of the Authority, the Inyo County Water Department shall, with input from any Members and as it otherwise deems appropriate, develop the Authority’s initial budget for development of the GSP over a multi-year period (i.e. until the GSP is approved for implementation) within the requirements of the SGMA (hereinafter referred to as the “GSP Development Budget”). The GSP Development Budget shall function as a forecasting tool for the Members to guide them in their respective Funding Contribution decisions as discussed in Article IV below.

Upon notice from the Inyo County Water Department that the GSP Development Budget is complete and ready for approval, the Authority shall place the matter on the next possible Board meeting agenda. The Board of Directors shall adopt the GSP Development Budget as submitted by the Inyo County Water Department. In other words, approval of the GSP Development Budget shall be a ministerial act of the Board

of Directors, provided, however, that it may be modified by the Board at a subsequent meeting(s) by a majority of the votes of the Directors appointed by the Members and Associates.

4.2 GSP ADOPTION, MODIFICATION, OR ALTERATION. The Board of Directors shall adopt a GSP for the area within the GSA formed by the Authority. The Board of Directors may modify or alter the GSP as necessary or appropriate.

4.3 GSP MANAGEMENT AREAS. To the extent permitted under SGMA, the GSP may provide for discrete areas within the GSA boundary in which the GSP is implemented and managed by at least one Member and/or Associate (a “GSP Management Area”). GSP Management Areas shall be created based on hydrological conditions (e.g. identifiable and logical sub-basins) that may or may not correspond to geopolitical boundaries. It is unlikely that a GSP Management Area will be restricted to any specific jurisdictional boundaries of a GSA Member and/or Associate. The creation of a GSP Management Area requires a majority of the votes of the Directors appointed by the Members and Associates. While Management Areas may provide for different requirements than other areas within the GSP, such requirements shall not conflict with the GSP. Unless otherwise agreed to by the Members, significant additional costs beyond the typical baseline costs for development and/or implementation of the GSP to the Basin as a whole that are attributable to the GSA activities within a GSP Management Area shall be borne by the Member(s), Associate(s), and Interested Party(s) that undertake(s) management of the GSP Management Area. Such entities that undertake management of a GSP Management Area shall determine how to allocate such additional costs amongst themselves.

ARTICLE III

OFFICERS AND STAFFING

1 CHAIR AND VICE-CHAIR: The Board of Directors shall annually elect a Chair and Vice-Chair from among the Members. The Chairperson shall preside at all meetings of the Board, while the Vice-Chairperson shall perform the duties of the Chairperson in the absence or disability of the Chairperson. The Chairperson and Vice-Chairperson shall exercise and perform such other powers and duties as may be assigned by the Board.

2 TREASURER AND AUDITOR CONTROLLER: The County of Inyo shall serve as the Fiscal Agent and Treasurer for the Authority unless otherwise directed by a majority of the votes of the Board of Directors. The Fiscal Agent shall be responsible for all money of the Authority from whatever source, shall be the depository and have custody of the money of the Authority, and shall provide all duties and functions of the Treasurer for the Authority as set forth in Government Code Sections 6505, 6505.5, and all other applicable provisions of federal, state and local laws, ordinances, regulations,

and this Agreement. All funds of the Authority shall be strictly and separately accounted for and regular reports shall be rendered of all receipts and disbursements during the Fiscal Year as designated by the Board. The cost for such services shall be actual costs, including reasonable overhead.

3 EXECUTIVE MANAGER: The Board of Directors shall appoint an Executive Manager. The Executive Manager shall serve at the pleasure of or upon the terms prescribed by the Board of Directors. The Executive Manager so appointed may be an employee of a Member, an employee of the Authority, or an independent contractor. The cost for such services shall be actual costs, including reasonable overhead, as determined by a written agreement with the Authority therefor.

3.1 EXECUTIVE MANAGER POWERS and DUTIES. Subject to any rules and regulations provided by the Board, the powers and duties of the Executive Manager are:

3.1.1 Consistent with Article II Section 4.1, to lead and coordinate the development of a GSP for the Authority and to be responsible to the Board of Directors for proper administration of all affairs of the Authority.

3.1.2 To appoint, assign, direct, supervise, and, subject to the personnel rules adopted by the Board of Directors, discipline or remove Authority employees.

3.1.3 To supervise and direct the preparation of the annual operating and capital improvement budgets for the Board of Directors and be responsible for their administration after adoption by the Board of Directors.

3.1.4 To formulate and present to the Board of Directors plans for facilities and/or services within the Authority and the means to finance them.

3.1.5 To supervise the planning, acquisition, construction, maintenance, and operation of the facilities and/or services of the Authority.

3.1.6 To attend all meetings of the Board of Directors and act as the secretary of the Board. To cause to be kept minutes of all meetings of the Board of Directors and to cause a copy of the minutes to be forwarded to each member of the Board of Directors and to the member entities, prior to the next regular meeting of the Board of Directors.

3.1.7 On or before April 1 of each year, to cause to be prepared and submitted to the Board of Directors and each of the Members a proposed budget for the upcoming fiscal year the annual report and the GSA's annual report.

3.1.8 To execute transfers within major budget units, in concurrence with the Treasurer Auditor-Controller of the Authority, as long as the total expenditures of each major budget unit remain unchanged.

3.1.9 To purchase or lease items, fixed assets, or services within the levels authorized in the Bylaws.

3.1.10 To perform such other duties as the Board of Directors may require in carrying out the policies and directives of the Board of Directors.

ARTICLE IV

MEMBER FUNDING AND VOTING

1 FUNDING CONTRIBUTION:

While funding of the Authority is expected to be shared equally between the Members, Members shall not be required to make a funding commitment prior to entering into this Agreement. Any funding contribution provided through sources other than Members shall reduce the contribution of the Members, pro-rated to their funding commitment for said budgets. All Members shall have an equal ability to provide funding toward the Authority's budgets.

1.1 MEMBER FUNDING OF THE GSP DEVELOPMENT BUDGET.

The Authority shall cause to be placed on the agenda of the Board meeting immediately following the meeting at which the GSP Development Budget is adopted (as required by Article II Section 4.1 above,) the matter of each Member's financial contribution commitment toward funding the multi-year GSP Development Budget. Said meeting shall be referred to herein as the "GSPDB Funding Meeting." Each Member shall make a legally binding commitment of its financial contribution toward the multi-year GSP Development Budget at the GSPDB Funding Meeting. The funding commitment made at the GSPDB Funding Meeting shall set the Member's maximum financial contribution to the GSP Development Budget. Members may continue this item to a later meeting so long as the continuance does not substantially impair the ability of the Authority to fulfill its purpose while the matter is pending.

The GSP Development Budget is expected to be reviewed and adjusted annually during the development of the GSP. Should the GSP Development Budget be subsequently modified by a majority of the votes of the Directors appointed by the Members and Associates in a manner that does not result in an increase to the dollar amount greater than the originally adopted GSP Development Budget, all funding commitments may be adjusted in a manner that maintains the Member's funding

commitment as a percentage of the total GSP Development Budget. Should the GSP Development Budget be so modified in a manner that results in an increase to the dollar amount greater than the originally adopted GSP Development Budget, the Authority shall hold another GSPDB Funding Meeting at which the Directors appointed by Members shall determine how, if at all, a Member's and/or Associate's maximum contribution will increase. A Member unwilling or unable to fund its proportional share of the increase shall have its votes adjusted accordingly based on the formula in Article IV Section 2.1.3.

Members shall be classified as a "Funding Member," a "Partial-Funding Member," "Non-Funding Member" or an "Extra-Funding Member" as set forth immediately below.

1.1.1 Funding Member: Any Members that commit to funding **1/[total number of Members]** of the GSP Development Budget shall be classified as a Funding Member. For example, if there are four Members at the time of the GSPDB Funding Meeting, then a Funding Member would commit itself to funding **1/4** of the GSP Development Budget.

1.1.2 Partial-Funding Member: Any Member that commits to funding some amount less than **1/[total number of Members]**, but more than zero, shall be classified as a Partial-Funding Member.

1.1.3 Non-Funding Member: Any Members that do not commit to funding any portion of the GSP Development Budget shall be classified as a Non-Funding Member.

1.1.4 Extra-Funding Member: Any Members that commit to funding greater than **1/[total number of Members]** of the GSP Development Budget shall be classified as an Extra-Funding Member.

1.2 MEMBER FUNDING LEVELS FOR ANNUAL BUDGETS. After the GSP is developed, the Authority will adopt Annual Budgets to implement the GSP and/or otherwise fund its operations. Any costs incurred in the operation of the GSA prior to adoption of the GSP shall be accounted for in the GSP Development Budget. The matter of each Member's funding contribution commitment toward funding of all non-GSP Development Budget annual budgets shall be placed on the agenda of the Board meeting immediately following the meeting at which the respective annual budget is adopted by the Board. Said meetings shall be referred to herein as the "Annual Budget Funding Meetings." Each Member shall make a legally binding commitment of its funding contribution toward said annual budgets at the Annual Budget Funding Meetings. Members shall then be (re-)classified in a manner consistent with the process set forth in Section 1.1 above.

1.3 EQUAL FUNDING OPPORTUNITY. For the purpose of determining voting shares, if, after all Members make their respective funding commitments, the decision by a Member or Members to be a Partial-Funding Member or Non-Funding Member, results in funding commitments being less than the outstanding amount of funding needed cover expenses in the GSP Development Budget (the "Funding Shortfall"), any Member making a binding commitment to be a Funding Member will have the equal opportunity to become an Extra-Funding Member by making an additional binding funding commitment toward the Funding Shortfall. This process of providing additional funding by Funding Members who choose to become Extra-Funding Members shall continue until the Funding Shortfall is reduced to zero (0) through additional binding contributions. In this manner, all Members who become Funding Members will have an equal opportunity to become Extra-Funding Members with equal standing in terms of voting shares.

2 VOTES: The affirmative vote of a majority of the Board voting share shall be required for the approval of any Board action.

2.1 MEMBER VOTE SHARES. Each Member shall have the specific number of votes during said budget cycles as follows:

2.1.1 Funding Members shall each have four (4) votes.

2.1.2 Non-Funding Members shall each have two (2) votes.

2.1.3 Partial-Funding Members and Extra-Funding Members shall each have the following vote share:

$$V = 2 + 2MC/B$$

- V is the number of votes a Member has;
- M is the number of Members;
- C is the Members monetary contribution toward the total budget; and
- B is the total budget.

2.2 ASSOCIATE & INTERESTED PARTIES VOTE SHARES. Associates and Interested Parties shall have the specific number of votes during all budget cycles as provided for in Article V, provided, however, that in no event shall Members collectively have less than 70% of the total voting share of the Authority. Should the votes allocated to Associates and Interested Parties result in the Members receiving less than 70% of the total voting share of the Authority, the Members shall be allocated the number of additional votes that will equate to an aggregate 70% of the voting share of the

Authority. Said additional votes shall be distributed to the Members consistent with their funding status.

ARTICLE V

ASSOCIATES AND INTERESTED PARTIES

1 ASSOCIATES:

1.1 APPLICATION TO BECOME AN ASSOCIATE. It is the Authority's intention to include certain entities, to the extent allowed by law and approved by the Authority's Directors appointed by its Members, in the sustainable management of groundwater within the Basin. To that end, only Directors appointed by the Members may vote to approve an application from an entity requesting to participate as an Associate in the GSA and/or GSP as permitted by the Act, SGMA, this Agreement, and any by-laws adopted by the Authority. The application shall be on a form developed by the Authority and shall include substantially the same types of information required as if the entity was filing to become a GSA. In the event an application is deemed incomplete, the Authority shall notify the entity in writing of such determination and describe the information or materials which must be provided and the deadline for their provision. The final terms governing the Authority's granting Associate status shall be consistent with the express requirements of this Agreement and subject to approval by the Directors appointed by the Members.

1.2 GENERAL REQUIREMENTS.

1.2.1 *Eligibility.* Generally speaking, Associate Board seats and corresponding voting powers are intended to be made available to federally recognized tribes within the Basin, a Federal Agency, the Los Angeles Department of Water and Power, and a limited number of mutual water companies representing themselves independently or in association with other mutual water companies. To be eligible to become an Associate of the Authority, the applicant must be eligible to "participate" in the GSA and/or GSP under SGMA and the Act. No Associate shall be another GSA, or part of another GSA by agreement, within the Basin.

1.2.2 *Inclusion of new areas within the GSA.* To the extent an entity applying for Associate membership owns and/or controls any areas of the Basin that are not within the Authority's GSA boundary and/or are exempt from the SGMA, the entity must have the authority, and shall agree, to subject any such areas to the Authority's jurisdiction, including, but not limited to, implementation of any GSP requirements, and funding the Authority's costs to implement the GSP within such areas, unless otherwise agreed to by a majority of the Members. Such areas may be designated as a Management Area pursuant to Article II Section 4.3.

1.3 SPECIAL REQUIREMENTS. The following special requirements are in addition to any general requirements:

1.3.1 *Tribal Participation.* Tribes may be eligible to participate as authorized by Water Code Section 10720.3(c). To be eligible to participate as an Associate of the Authority a tribe must be federally recognized and have sovereign lands within the Basin.

1.3.2 *Federal Agency Participation.* While there are multiple Federal Agencies potentially eligible to become an Associate, there shall be a maximum of one Associate Board seat available for those Federal Agencies collectively. If the Federal Agencies are unable to agree on which agency among them is best suited to be an Associate of the Authority those agencies shall file competing applications to become the federal Associate of the Authority.

1.3.3 *LADWP.* The Los Angeles Department of Water and Power's participation in the GSA as an Associate shall be conditioned on its providing a minimum level of ongoing funding toward the Authority's budgets as determined by a majority of the votes of the Directors appointed by Members, and providing information deemed relevant to the preparation and implementation of the GSP. The GSP shall only otherwise apply to LADWP water management activities to the extent the City of Los Angeles and Inyo County agree that the GSP requirements do not directly conflict with the Water Agreement.

1.3.4 *Mutual Water Companies.* While there are multiple mutual water companies and/or corporations regulated by the PUC (collectively referred to as "mutual water companies") potentially eligible to be an Associate, there shall be a maximum of three available Associate seats for those mutual water companies collectively. If the mutual water companies are unable to agree on which company(s) among them are best suited to be an Associate, those mutual water companies, or groups thereof, shall file competing applications to become an Associate of the Authority. Any such participation in the GSA as an Associate shall be conditioned on their providing a minimum level of ongoing funding toward the Authority's budgets as determined by a majority of the votes of the Directors appointed by Members.

1.3.5 *Additional conditions.* Additional conditions required for Associates may be established by a majority of the votes of the Directors appointed by the Members.

1.4 ASSOCIATE BOARD APPOINTMENTS AND VOTES.

1.4.1 *In General.* All Associates shall appoint one Primary Director and one Alternate Director (sometimes referred to herein as a "Director") to the Board of Directors. The Alternate Director shall serve and assume the rights and duties of the

Primary Director when the Primary Director is unable to attend a Board of Directors meeting. Directors shall serve at the pleasure of the governing body appointing them and may be removed at any time, with or without cause, in the sole discretion of the Associate's governing body or equivalent thereof. Each Director shall hold office until his/her successor is selected by the Associate and the Authority has been notified of the succession in writing. Votes shall be allocated to Associates and available as follows:

1.4.2 Tribes. Each tribal Associate shall have two (2) votes.

1.4.3 *Federal Agency Votes*. The Federal Agency Associate shall have two (2) votes.

1.4.4 *LADWP*. The LADWP Associate shall have four (4) votes.

1.4.5 *Mutual Water Companies*. Each mutual water company Associate shall have two (2) votes.

2 INTERESTED PARTIES:

2.1 IN GENERAL. The Authority intends to allow other entities that are ineligible to become an Associate, or whose applications to become an Associate have been denied, or that choose not to be an Associate, to participate as an Interested Party as provided for by SGMA section 10727.8 and this Agreement. Those eligible to become an Interested Party are listed on Exhibit B to this Agreement, and shall not also be an Associate, or part of a group already represented on the Authority by an Associate. The Authority shall provide for four (4) seats on its Board of Directors held by representatives of Interested Parties. The (4) four Interested Parties' Director seats shall be selected by the Directors appointed by the Members. Each Director appointed as an Interested Party Director shall have one vote, except as otherwise specified herein.

2.2 APPLICATION TO BECOME AN INTERESTED PARTY. The application shall be on a form developed by the Authority. The application shall include substantially the same types of information required as if the entity was filing to become a GSA or as otherwise relevant to the applicant's interest in the Basin. In the event an application is deemed incomplete, the Authority shall notify the entity or individual in writing of such determination and describe the information or materials which must be provided and the deadline for their provision. The final terms governing the Authority's granting Interested Party status shall be consistent with the express requirements of this Agreement and subject to approval by a majority of the votes of Directors appointed by the Members and Associates.

ARTICLE VI

MISCELLANEOUS PROVISIONS

1 WITHDRAWAL & TERMINATION:

1.1 WITHDRAWAL OF A MEMBER. A Member may not withdraw from this Agreement after conclusion of the GSPDB Funding Meeting until the GSP is approved for implementation. After the GSP is approved for implementation, any Member may withdraw from this Agreement upon written notice given (3) three months prior to the adoption of the next annual budget. Any such withdrawal shall not become effective until the later of the end of the fiscal year within which the withdrawal notice was provided or when a replacement GSP has been adopted and implemented for any areas that would otherwise become unmanaged by virtue of the Member's withdrawal. The withdrawal of one or more Members shall not terminate this Agreement or result in the dissolution of the Authority. This Agreement shall remain in full force and effect among the remaining members, following the withdrawal of any Member, and the Authority shall remain in operation provided that there are at least two Members remaining in this Agreement.

1.2 WITHDRAWAL OF ASSOCIATE. Any Associate may withdraw from this Agreement upon three months' written notice, effective the following fiscal year.

1.3 WITHDRAWAL OF INTERESTED PARTY. Any Interested Party may withdraw from participation one months' written notice.

1.4 DISPOSITION OF ASSETS UPON WITHDRAWAL. Any asset received or otherwise acquired by the Authority shall remain the Authority's asset upon withdrawal of any Member, Associate or Interested Party.

1.5 TERMINATION OF PARTICIPATION. The Directors appointed by Members may vote to terminate the formal participation of any Associate or Interested Party in their sole discretion. A majority of the Members may also terminate any other Member for cause including, but not limited to, the failure to meet its obligations as set forth in this Agreement or as otherwise may be required. In the event of a termination, this Agreement shall continue in full force and effect among the remaining members as set forth immediately below.

1.6 ONGOING OBLIGATIONS. Any withdrawal or termination of a Member, Associate, or Interested Party shall not relieve it of its financial obligations (including, but not limited to, indemnity obligations, capital costs, debt obligations, CalPERS unfunded Liability, or any net operations and maintenance costs resulting from such withdrawal) arising under this Agreement prior to the effective date of the withdrawal or termination.

2 OBLIGATIONS AND AUTHORITY: The debts, liabilities and obligations of the Authority shall not be the debts, liabilities and obligations of any of the Members.

3 LIABILITY OF THE PARTIES: No debt, liability, or obligation of any one Member, Associate, or Interested Party shall constitute the debt, liability, or obligation of any of the other Member, Associate, or Interested Party. The Authority created hereunder shall indemnify and hold harmless the Members, Associates, and Interested Parties, and their agents, officers and employees from and against any damages, costs, or liabilities arising out of the acts or omissions of the Authority, or its officers, agents, and employees. Where Authority employees are also employees of a Member, Associate, or Interested Party, the Authority shall indemnify and hold harmless that employing entity for any damages, costs, or liabilities arising out of the acts or omissions of the employing entity's agents, officers or employees when those persons act on behalf of or at the direction of the Authority. The Authority shall maintain insurance coverage (including workers compensation coverage) adequate to fulfill its responsibilities under this section.

4 DISSOLUTION. The Authority may be dissolved at any time upon the unanimous vote of the Directors appointed by the Members and approval of the Members' governing boards. However, the Authority shall not be dissolved until all debts and liabilities of the Authority have been eliminated. Upon dissolution of the Authority, each Member shall receive its proportionate share of any remaining assets after all Authority liabilities and obligations have been paid in full. The distribution of remaining assets may be made "in kind" or assets may be sold and the proceeds thereof distributed to the Members. This distribution shall occur within a reasonable time after dissolution. No former member which previously withdrew or was terminated shall be entitled to a distribution upon dissolution.

5 DESIGNATION OF SUCCESSOR OR ASSIGNS: This Agreement shall be binding upon and shall inure to the benefit of any successors to or assigns of the Members. Any successor or assignee of a Member must be eligible to form a GSA as set forth by the SGMA at Water Code § 10723.6(a), must incur all responsibilities of the original Member under this Agreement and must be approved by a majority of the Board of Directors.

6 SUCCESSOR ENTITY: If the Authority shall be succeeded by a new and separate entity or public entity deemed by the Board of Directors to be a "successor entity," that entity or entities shall receive title to all property held by the Authority pursuant to this Agreement.

7 NO SUCCESSOR ENTITY: Upon termination of the Authority, with no successor entity, all assets and funds, including the proceeds of the sale of property, in the possession of the Authority after payment and/or satisfaction of all lawfully incurred

obligations of the Authority, shall be returned to the members in proportion to their contribution in a manner consistent with Section 1.4 above.

8 **AMENDMENTS**: This Agreement may only be amended by a written amendment approved by the governing bodies of all Members.

9 **SEVERABILITY**: If any portion of this Agreement or application thereof to any person or circumstance shall be declared invalid by a court of competent jurisdiction, or if it is found in contravention of any federal, state, or county statute, ordinance, or regulation, the remaining provisions of this Agreement or the application thereof, shall not be invalidated thereby, and shall remain in full force and effect to the extent that the provisions of this Agreement are severable.

IN WITNESS WHEREOF, the parties hereto have cause this Agreement to be executed and attested by the proper officers, who are duly authorized, as of the day and year first above written.

[SIGNATURE BLOCKS]

DRAFT

EXHIBIT A
POTENTIAL MEMBERS

- 1 BIG PINE CSD
- 2 CITY OF BISHOP
- 3 COUNTY OF INYO
- 4 COUNTY OF MONO
- 5 EASTERN SIERRA CSD
- 6 INDIAN CREEK-WESTRIDGE CSD
- 7 LONE PINE CSD
- 8 KEELER CSD
- 9 SIERRA HIGHLANDS CSD
- 10 SIERRA NORTH CSD
- 11 STARLITE CSD
- 12 TRI-VALLEY WATER MANAGEMENT DISTRICT
- 13 WHEELER CREST CSD

DRAFT

EXHIBIT B
POTENTIALLY ELIGIBLE INTERESTED PARTIES

- 1 Agricultural Businesses
- 2 Disadvantaged Communities Not Already Represented
- 3 Domestic Well Owner Groups
- 4 Environmental Organizations
- 5 Environmental Users
- 6 Federal Agencies
- 7 Mutual Water Companies
- 8 Non-Agricultural Businesses with private wells
- 9 Public Water Systems
- 10 State Agencies
- 11 Tribes
- 12 Others as set forth in SGMA section 10727.8

DRAFT