

Chino Basin
Regional Sewage Service Contract
With Exhibits
(As Amended October 19, 1994)

Also included:

Regional Pretreatment Agreement
Regional Wastewater Ordinance
(CBMWD Ord. No. 57)
Wastewater Quality Limitations Applicable to
Contracting Agencies

CHINO BASIN REGIONAL
SEWAGE SERVICE CONTRACT

(AS AMENDED APRIL 12, 1984,
AS AMENDED OCTOBER 19, 1994)

October 19, 1994

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SEWAGE SERVICE CONTRACT

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TABLE OF CONTENTS

	<u>Page</u>
Section 1. DEFINITIONS	1
Section 2. RIGHTS AND OBLIGATIONS	10
Section 3. COMMUNITY SEWER SYSTEMS	13
Section 4. SEWER USER CHARGES	13
Section 5. REGIONAL INTERCEPTORS	14
Section 6. (Deleted)	15
Section 7. REGIONAL SEWERAGE SYSTEM	15
Section 8. DISPOSAL OF SEWAGE BY CBMWD'S NON-RECLAIMABLE WASTE DISPOSAL SYSTEMS	16
Section 9. CAPITAL FINANCING OF REGIONAL SEWERAGE SYSTEM	17
A. General	17
B. Improvement District "C" - Acquisition From Original Contracting Agencies and Expansion of Regional Sewerage System	18
C. Acquisition of Sewage treatment Plants and Interceptor Sewers of Other Sewage Collection agencies; Annexation to Improvement District "C"	19
D. Improvement District "C" Taxes; Sewage Service Standby or Availability Charges	20
E. Capital Capacity Reimbursement Account and Capital Capacity Reimbursement Payments	22
1. General	22
2. Capital Capacity Reimbursement Payments	22

	<u>Page</u>
3. Capital Capacity Reimbursement Reports	24
4. Determination of Demand Deficits	26
5. Supplemental Capital Outlay Fund Payments	26
6. Allocation of Supplemental Capital Outlay Fund Shortages	28
F. Investment of Regional Wastewater Capital Improvement Fund	28
Section 9A. FORECASTING AND PLANNING	29
A. Contracting Agency Reports	29
1. Annual Forecast	29
2. Monthly Reports	29
B. CBMWD Reports	30
1. Ten-Year Forecast	30
2. Mid-Year Report as to Financial Requirements	32
3. Review by Regional Policy Committee	32
(a) Ten-Year Forecast	32
(b) Mid-Year Reports	33
C. Determination of Capital Capacity Reimbursement Amount; Amendment of Exhibit "J"	34
D. Reclaimable Industrial Waste	35
E. Forecast for Purposes of Determining Demand Deficits	36
Section 9B. AVAILABLE SEWERAGE CAPACITY	37
A. Monitoring and Reports	37

	<u>Page</u>
B. New Connections	38
C. Transfer of Capacity Demand	39
D. Policy Committee Review	40
Section 9C. MAJOR CONSTRUCTION CONTRACTS	42
A. Construction Contracts	42
B. Design Contracts	43
1. Prioritized Projects	43
2. Selection of Design Engineers	43
3. Design Review	43
Section 10. (Deleted)	44
Section 11. AVAILABILITY OF REGIONAL SYSTEM; CBMWD'S PERFORMANCE	44
A. Contracting Agencies	44
B. Other Sewage Collection Agencies	45
C. CBMWD's Performance	45
Section 12. EXTRA-TERRITORIAL SEWER SERVICE	45
A. Service Outside the Boundaries of CBMWD and Improvement District "C"	45
1. Upon the Effective Date of a Service Contract	45
2. After the Effective Date of a Service Contract	46
B. Annual Capital Outlay Charge for Territory Outside CBMWD and Improvement District "C"	47
1. Annual Capital Outlay Charge	47
2. Extraordinary Capital Outlay Charge	48

	<u>Page</u>
C. Capital Capacity Reimbursement Account Payments	49
Section 13. DELIVERY POINTS: CONNECTION COSTS	49
Section 14. DETERMINATION OF SEWAGE DELIVERIES: COSTS OF MEASURING EQUIPMENT	50
Section 15. CONTROL AND IMPOSITION OF SEWAGE: CONTRACTING AGENCIES RIGHT OF PURCHASE OF TREATED OR RECLAIMED EFFLUENT	51
A. General	51
B. Right of Purchase of Treated of Reclaimed Effluent	51
Section 16. SALE, BENEFICIAL USE OR DISPOSAL OF TREATED EFFLUENT	52
A. Purchase of Treated Effluent from CBMWD	52
1. Contracting Agencies; Right of Purchase	52
2. Base Entitlement of Contracting Agencies	53
3. Delivery Points	53
4. Exercise of Base Entitlement at Various Discharge Points	54
5. Delivery Facilities and Costs of Treated Effluent	56
6. Price for Purchase of Treated Effluent	56
7. Use of Purchased Treated Effluent	56
8. Contracts for Joint Exercise or Transfer of Rights of First Purchase	57
B. Disposition by CBMWD of Unclaimed Treated Effluent	57
C. Measurement of Treated Effluent	58

	<u>Page</u>
D. Notice of Proposed Delivery	58
1. Request by CBMWD	58
2. Response by Contracting Agencies	59
3. Allocation of Treated Effluent	59
4. Additional Allocation of Treated Effluent	59
Section 17. SERVICE CHARGES FOR MAINTENANCE AND OPERATION OF THE REGIONAL SEWERAGE SYSTEM	59
Section 18. SERVICE CHARGE RATE	60
Section 19. REGIONAL SEWERAGE SYSTEM BUDGETS	61
A. Fiscal Year Budgets	61
B. Form and Content of Budgets	61
1. Capital Improvement Fund Budget	62
2. Maintenance and Operation Fund Budget	63
C. Comparative Data	64
D. Preparation and approval of Proposed Budgets	64
E. Notice and Hearing on Proposed Budget	65
F. Adoption of Budget and Determination of the Service Charge Rate	66
G. Capital Improvement Projects	66
H. Adoption of Separate Budgets	67
Section 20. BILLING AND PAYMENT OF SERVICE CHARGES	68
A. Monthly Statements of Service Charges	68
B. Payment of Statements; Interest on Overdue Payments	68
C. Adjustment for Net Audited Costs	69

	<u>Page</u>
D. Adjustment for Overpayment or Underpayment	70
E. Deposit of Payments in Maintenance and Operation Fund	71
Section 21. (Deleted) (See Regional Pretreatment Agreement)	71
Section 22. (Deleted) (See Regional Pretreatment Agreement)	71
Section 23. GRANTS AND FINANCIAL ASSISTANCE	71
Section 24. REGIONAL POLICY COMMITTEE	73
Section 25. REGIONAL TECHNICAL COMMITTEE	75
Section 26. INSPECTION OF FACILITIES	76
Section 26A. HEARINGS	76
A. Notice of Hearings	76
1. Publication	77
2. Posting	77
3. Mailing	77
B. Hearing	77
C. Hearing Resolution	78
Section 27. EFFECTIVE DATE OF CONTRACT	78
Section 28. TERM OF CONTRACT	79
Section 29. RENEWAL OPTION FOR CONTINUED SERVICE	80
Section 30. AUTHORIZATION AND EXECUTION OF SEWAGE SERVICE AND ACQUISITION CONTRACTS	81
A. Authorization by Any Sewage Collection Agency	81
B. Amendment of Any Existing Contract; New Contracts with Subsequent Contracting Agencies	82
Section 31. NOTICE	83
Section 32. PARTIAL INVALIDITY	85

TABLE OF EXHIBITS

<u>Exhibit</u>	<u>Subject Matter</u>	<u>PAGE</u>
"A"	Quality Standards for CBMWD Treatment of Sewage	
"B"	Capital Outlay Ordinance (CBMWD Ordinance No. 24)	
"C"	Resolution of Intention for Improvement District	
"D"	Map Showing Territory of Improvement District "C" Outside Territory of Contracting Agencies	
"E"	Map Showing Initial Facilities Required to be Acquired or Constructed by CBMWD	
"F"	Schedule Describing the Delivery and Metering Points of the Particular "Undersigned Contracting Agency"	
"G"	Chino Basin Agreement for Reclamation of Treated Effluent	
"H"	(Deleted) (See Regional Wastewater Ordinance)	
"I"	Design Standards for Construction of Community Sewer Systems	
"J"	Equivalent Dwelling Unit Computations	

CHINO BASIN REGIONAL
SEWAGE SERVICE CONTRACT

(AS AMENDED APRIL 12, 19984, AS AMENDED
OCTOBER 19, 1994)

Section 1. DEFINITIONS

Unless otherwise required by the context, various terms used in this contract, including the recitals, shall have the meanings set forth in this section. The singular number includes the plural and the plural the singular.

"Acquire" or "Acquisition" means to acquire or make the acquisition of one or more of the following:

- A. Fee simple title to land.
- B. Any interest in land by deed, easement, lease, sublease, contract or otherwise.
- C. Title to or any interest in any existing facilities located upon land.
- D. Interests or capacity rights in any land or facilities owned by others.

"Capacity Demand" means the volume and strength (i.e., biochemical oxygen demand and suspended solids) of sewage discharged from the Community Sewer System of a Contracting Agency into the Regional Sewerage System expressed in Equivalent Dwelling Units. (Added April 12, 1984)

"Capital Outlay Ordinance" means Ordinance No. 24 of CBMWD (Added April 12, 1984)

"Capital Capacity Reimbursement Account" means the accounts established and maintained by the Contracting Agencies and to which are deposited or credited Capital Capacity Reimbursement Payments. (Added April 12, 1984)

"Capital Capacity Reimbursement Payment" means a deposit or credit made to the Capital Capacity Reimbursement Account of a Contracting Agency for new connections to its Community Sewer System. (Added April 12, 1984)

"CBMWD" means the Chino Basin Municipal Water District, a municipal water district.

"Chino Basin" means that area underlain by the Chino And Cucamonga groundwater basins and that portion of the Claremont Heights groundwater basin within San Bernardino County which groundwater basins are described in Bulletin No. 53 of the California Division of Water Resources, dated March, 1947, and entitled "South Coastal Basin Investigation - Overdraft on Groundwater Basins."

"Commercial Unit" means a building, establishment or premises where businesses selling goods or providing professional or other services to the public or governmental offices are or will be located. (Added April 12, 1984)

"Community Sewer System" means all facilities owned, controlled or operated by a sewage collection agency for the purpose of collecting and conducting sewage to a delivery point, including collector sewers conducting sewage from the originating premises, trunk sewers conducting sewage from

tributary collector sewers or other trunk sewers and any facilities appurtenant to the foregoing.

"Contracting Agency" means any sewage collection agency located, in whole or in part, within the boundaries of CBMWD which has entered into a Service Contract with CBMWD. (Amended April 12, 1984)

"Demand Deficit" means the difference between the aggregate total Forecasted Demand of a Contracting Agency and the total aggregate Equivalent Dwelling Units connected to its Community Sewer System during an eight-year period commencing with the fifth fiscal year preceding the fiscal year for which CBMWD is at the time of the determination of such difference preparing a Ten-Year Forecast, and including the initial three fiscal years of such Ten-Year Forecast. (Added April 12, 1984)

"Delivery Point" means the transfer point at which sewage is delivered from a Community Sewer System into the Regional Sewerage System.

"Dispose" or "Disposal" means any process or method for the elimination or beneficial use of sewage and any effluent or solid waste residuals thereof, including exportation from the Chino Basin.

"Disposal Facilities" means all facilities owned, controlled and operated by CBMWD to meet effluent discharge requirements, excluding reclamation facilities operated by CBMWD to meet obligations under the judgment entered in the action entitled Orange County Water District v. City of Chino, et al.

(Case No. 117628, Superior Court, County of Orange), or to meet the requirements of Contracting Agencies exercising the right of first purchase of reclaimed effluent. (Added April 12, 1984)

"Effluent" means the liquid outflow at the discharge point of any treatment or reclamation facility.

"Equivalent Dwelling Unit" or "EDU" means a measure of sewage flow equivalent in quantity and strength to the daily flow of an average single family household determined as provided in Exhibit "J" hereto. (Added April 12, 1984)

"Expansion" means the acquisition or construction of new facilities for the Regional Sewerage System and the making of any replacements, betterments, additions or extensions of the Regional Sewerage System.

"Facilities" means any pipelines, buildings, structures, works, improvements, fixtures, machinery, equipment, or appliances and any real property, or interests therein, necessary or convenient for the construction, maintenance and operation of any of the foregoing.

"Fiscal Year" means a 12-month period commencing on July 1 and ending on the following June 30.

"Forecasted Demand" means the yearly forecasted or estimated volume and strength of sewage discharged from the Community Sewer System of a Contracting Agency into the Regional Sewerage System expressed in Equivalent Dwelling Units as set forth in a Ten-Year Forecast. (Added April 12, 1984)

"Industrial Unit" means a building, establishment or premises where manufacturing, fabrication or assembly operations or industrial or chemical processes are conducted. (Added April 12, 1984)

"Industrial Waste" means any waste water and any water borne solid, liquid, or gaseous wastes resulting from any producing, manufacturing, or processing operations of whatever nature as more particularly defined, from time to time, by any federal, state, or regional agency authorized by law to prescribe quality standards for the discharge of sewage effluent and industrial waste effluent within the Chino Basin.

"Interceptor Sewer" (Deleted April 12, 1984)

"Non-Domestic Waste" means waste or wastewater discharged into the Community Sewer System of a Contracting Agency which has a greater concentration of total dissolved solids or biochemical oxygen demand or any other constituents limited by CBMWD than the waste or wastewater discharged from the typical single family domestic household in the Contracting Agency's Service Area. as defined in the current contract. (Amended October 19, 1994)

"Non-Reclaimable Waste Disposal System" means the system owned and operated by CBMWD primarily for the disposal of nonreclaimable industrial waste. (Added April 12, 1984)

"Original Contracting Agencies" means any one or any two or more of the Cucamonga County Water District or the Cities of Upland, Ontario, Montclair, Chino or Fontana who, on or before July 31, 1972, shall have authorized execution of a

Service Contract with CBMWD.

"Outfall Sewer" means any sewer transmitting treated effluent from the discharge point of a sewage treatment and disposal plant to a point of disposal or reuse.

"Reclaim" or "Reclamation" means any process or method for altering the quality of treated sewage effluent to standards superior to those prescribed for treatment, as specified in Exhibit "A" attached hereto and made a part hereof.

"Regional Interceptor" means a sewer which receives sewage from the most downstream trunk or collector sewer of a Community Sewer System, or a portion thereof, for the purpose of transmitting the sewage to a Regional Treatment Plant or to any other point of disposal, and any facilities appurtenant thereto, or any sewer which is utilized for the transmission of the sewage of two or more Contracting Agencies to such a plant or point of disposal. (Added April 12, 1984)

"Regional Policy Committee" means the committee provided for in Section 24 hereof. (Added April 12, 1984)

"Regional Sewerage System" means all facilities owned, controlled or operated by CBMWD and any interest or capacity rights of CBMWD in facilities owned, controlled, or operated by others, for the purpose of transmitting, treating and disposing of sewage, including interceptor sewers, sewage treatment and disposal plants, outfall sewers, facilities for the disposal of effluent and solid waste residuals and any facilities appurtenant to the foregoing; the Regional Sewerage System shall

not include any reclamation facilities or portions of reclamation facilities which are operated by or for the benefit of CBMWD to meet obligations under the judgment entered in the action entitled Orange County Water District v. City of Chino, et al. (Case No. 117628, Superior Court, County of Orange), or to meet the requirements of Contracting Agencies exercising the right of first purchase of reclaimed effluent; provided that the Regional Sewerage System shall include all other disposal facilities which are required to meet the requirements of the National Pollutant Discharge Elimination System Permit or permits or Waste Discharge Requirements issued to CBMWD by the Regional Water Quality Control Board, Santa Ana Region, for the operation of the Regional Treatment Plants and, to the extent it is used as provided in Section 8 hereof, the Nonreclaimable Waste Disposal System. (Amended April 12, 1984)

"Regional Technical Committee" means the committee provided for in Section 25 hereof. (Added April 12, 1984)

"Regional Treatment Plant" means a sewage and wastewater treatment plant operated by CBMWD as part of the Regional Sewerage System. (Added April 12, 1984)

"Regional Wastewater Capital Improvement Fund" means the fund of CBMWD into which is deposited or to which is credited all Improvement District "C" tax revenues and standby charge revenues received by CBMWD and all Supplemental Capital Outlay Funds received by CBMWD from the Contracting Agencies for the acquisition, construction, improvement and expansion of the

Regional Sewerage System. (Added April 12, 1984)

"Residential Unit" means a single family residence, a condominium unit, an apartment unit or other such structure or portion thereof which is equipped and suitable for human habitation or a mobile home space in a mobile home park, not including, however, transient lodging rooms in motels or hotels which are considered to be commercial units. (Added April 12, 1984)

"Service Area" means all territory now or hereafter served by the Community Sewer System owned, controlled or operated by any sewage collection agency.

"Service Contract" means this contract and any substantially similar contract between CBMWD and a Contracting Agency providing for the transmission, treatment and disposal of the sewage of the agency by means of the Regional Sewerage System.

"Sewage" means any liquid waste and water borne solid waste resulting from residential, commercial, industrial, or institutional activities or uses.

"Sewage Collection Agency" means the County of San Bernardino and any city or special district, other than CBMWD, which is located in whole or in part within CBMWD and which is authorized to own, control and operate a Community Sewer System.

"Sewer" means any pipeline conducting sewage, either by gravity or by pressure, and any facilities appurtenant thereto.

"Sewer User Charge" means any charge, fee, rental, or rate, excluding property taxes and Capital Capacity Reimbursement Payments, which is imposed on and collected from the owner, lessee, or occupant of property for providing him with the services and facilities of any Community Sewer System or the Regional Sewerage System, or both. (Amended April 12, 1984)

"Supplemental Capital Outlay Funds" means contributions by a Contracting Agency from its Capital Capacity Reimbursement Account reserves to CBMWD to supplement the funding of the planning, design and construction of Regional Sewerage System capital improvement projects. (Added April 12, 1984)

"Transmit" or "Transmission" means the conducting (i) of sewage from any delivery point to a sewage treatment and disposal plant or other point of disposal or (ii) of effluent from a sewage treatment and disposal plant to a point of disposal or reuse.

"Treat" or "Treatment" means any process or method for altering the quality of sewage to standards equal to those prescribed in Exhibit "A" hereof.

"Undersigned Contracting Agency" includes only the contracting agency specifically designated in the first paragraph of this sewage service contract and the signatory of this particular contract.

Section 2. RIGHTS AND OBLIGATIONS

The Contracting Agencies shall have the right to deliver all sewage collected by their respective Community Sewer Systems to the Regional Sewerage System and CBMWD shall have the obligation to receive into the Regional Sewerage System all sewage so delivered by the Contracting Agencies. Notwithstanding the foregoing, a Contracting Agency may acquire, construct, own and operate a wastewater treatment plant or permit another person, firm or corporation to acquire or construct a wastewater treatment plant which will be controlled and operated by the Contracting Agency when to do so is not detrimental to the operation of the Regional Sewerage System.

A Contracting Agency which intends to acquire or construct and own, operate and maintain a wastewater treatment plant shall notify CBMWD and the Regional Technical Committee in writing of its intentions. Such a notice shall include the following information: the location and capacity of the proposed wastewater treatment plant, the method and location of disposal or reuse of the effluent therefrom, the area which will be sewerage through said plant and the quantity of wastewater flow, if any, which will be removed from any Regional Treatment Plant. The Regional Technical Committee shall make a recommendation as to whether the Contracting Agency's operation of the proposed Wastewater treatment plant will be detrimental to the operation of the Regional Sewerage System within 45 days of the receipt of the Contracting Agency's written notice. Upon

receipt of such recommendation, the Board of Directors of CBMWD shall within 45 days of the receipt of the Regional Technical Committee recommendation make a determination as to whether the Contracting Agency's operation of the proposed wastewater treatment plant will be detrimental to the operation of the Regional Sewerage System, and thereafter forthwith notify the Contracting Agency and all other Contracting Agencies in writing of such determination. Any Contracting Agency may within 20 days of the date of such written notification file a written request for a hearing with the Secretary of CBMWD. Upon receipt of such a written request, the Board of Directors of CBMWD shall schedule and conduct a hearing on its determination within 30 days of the date of receipt of such written request, and at the conclusion thereof shall affirm or modify its determination. The provisions of Section 26A hereof shall apply with respect to such hearings.

The failure of the Regional Technical Committee or the Board of Directors of CBMWD to take any action required by this section within the time specified herein or to take any action required by said Section 26A within the time specified therein shall be deemed a determination by said committee or said Board that the operation of the proposed wastewater treatment plant by the Contracting Agency giving notice will not be detrimental to the operation of the Regional Sewerage System; provided that, said committee or said Board may extend the time within which action is required of it under this section for a period of 30

days by giving written notice of such extension to all Contracting Agencies at least seven days prior to the expiration of the time specified herein.

Notwithstanding the prior provisions of this section, removal of sewage flows by a Contracting Agency from an existing Regional Treatment Plant to a wastewater treatment plant to be owned or controlled and operated by the Contracting Agency shall not be considered detrimental to the operation of the Regional Sewerage System, providing that the remaining flows into said Regional Treatment Plant will meet the quality standards set forth in and established by CBMWD and will not result in the effluent from said plant violating the waste discharge requirements prescribed for said plant by the California Regional Water Quality Control Board; and provided further that the construction by a Contracting Agency of a wastewater treatment plant for the treatment and disposal of sewage from a Community Sewer System constructed by the Contracting Agency in an area which was prior to the construction of said plant unsewered shall not be considered to be detrimental to the operation of the Regional Sewerage System.

A Contracting Agency which constructs such a plant may enter into a contract with CBMWD for the maintenance and operation of the plant; provided that CBMWD shall not be obligated to enter into such a contract. A Contracting Agency which acquires or constructs such a wastewater treatment plant shall be solely responsible for the cost and expense of the

acquisition or construction and maintenance and operation of said plant. Any such wastewater treatment plant which is acquired or constructed and owned by a Contracting Agency shall not be acquired or operated by CBMWD as a part of the Regional Sewerage System without the written consent of all other Contracting Agencies except the State of California. (Amended April 12, 1984)

Section 3. COMMUNITY SEWER SYSTEMS

Each Contracting Agency shall have the exclusive right to own and operate a Community Sewer System within its Service Area and to determine in which areas within its Service Area it will operate a Community Sewer System. Each Contracting Agency shall be responsible for all costs and expenses of the acquisition, construction, maintenance and operation of its Community Sewer System. (Amended April 12, 1984)

Section 4. SEWER USER CHARGES

Each Contracting Agency may, in the manner provided by law, impose and collect sewer user charges within its Service Area for providing the services and facilities of its Community Sewer System and of the Regional Sewerage System and shall be entitled to retain, use and expend the charges for any lawful purpose. CBMWD shall not impose sewer user charges within the Service Area of any Contracting Agency without the prior consent of the Contracting Agency. (Amended April 12, 1984)

Section 5. REGIONAL INTERCEPTORS

Regional Interceptors are a part of the Regional Sewerage System and their design and construction or acquisition shall be financed as provided in section 9 hereof. Any Contracting Agency may make a written request to CBMWD for a determination as to whether or not an existing sewer has become a Regional Interceptor. Each such request received by CBMWD shall be referred to the Regional Technical Committee and such committee shall make a written recommendation to the Board of Directors of CBMWD as to whether or not the interceptor in question shall be acquired by CBMWD as a Regional Interceptor. Any Contracting Agency which disagrees with such a recommendation of the Regional Technical Committee may file a written request for a hearing thereon with the Secretary of the Board of Directors of CBMWD. Upon receipt of such a request, said Board of Directors shall schedule and conduct a hearing and give notice thereof in accordance with the provisions of section 26A hereof. Notwithstanding the preceding provisions of this section, a sewer which is utilized for the transmission of sewage of two or more Contracting Agencies and which is transmitting less than 300,000 gallons per day of sewage for the most upstream Contracting Agency shall not be acquired by CBMWD as a Regional Interceptor unless it is determined by the Board of Directors of CBMWD after recommendation by the Regional Technical Committee that such acquisition is in the best interest of the Regional Sewerage System. (Amended April 12, 1984)

Section 6. (DELETED April 12, 1984)

Section 7. REGIONAL SEWERAGE SYSTEM

CBMWD shall own and operate a Regional Sewerage System for the transmission, treatment and disposal of sewage delivered by the Contracting Agencies. The Regional Sewerage System, including any interests or capacity rights of CBMWD in facilities owned, controlled or operated by others, shall be as shown or described in the Chino Basin Regional Sewerage Plan, as provided in the Capital Outlay Ordinance, Ordinance No. 24 of CBMWD, a copy of which is attached hereto as Exhibit "B", or any amendment thereof.

Since August 14, 1972 CBMWD has proceeded with the construction of regional treatment, disposal and transmission facilities shown and described in the said Chino Basin Regional Sewerage Plan and shown on the map attached hereto as Exhibit "E". Future construction and expansion of said Regional Sewerage System facilities will be required to meet the needs of the Contracting Agencies and shall be funded as provided in Section 9 hereof.

CBMWD shall pay all costs and expenses incurred in the acquisition, construction, maintenance, and operation of the Regional Sewerage System. Each Contracting Agency shall, as provided in Section 17 hereof, pay to CBMWD service charges representing a pro rata share of all net audited costs incurred by CBMWD in the maintenance and operation of the Regional Sewerage System, and each Contracting Agency shall contribute

Supplemental Capital Outlay Funds to CBMWD for the improvement and expansion of the Regional Sewerage System as provided in Section 9 hereof. (Amended April 12, 1984)

Section 8. DISPOSAL OF SEWAGE BY CBMWD'S NON-RECLAIMABLE WASTE DISPOSAL SYSTEMS

CBMWD may provide for the transmission, treatment and disposal of any sewage delivered by a Contracting Agency either by means of the Regional Sewerage System, CBMWD's existing Nonreclaimable Waste Disposal System or any other nonreclaimable waste disposal system which CBMWD may hereafter own or have an interest in. For the purpose of this contract, sewage delivered into a Nonreclaimable Waste Disposal System by a Contracting Agency shall be deemed delivered into the Regional Sewerage System and the Contracting Agency shall be liable only for payment of the service charges hereinafter provided for. To the extent that sewage of any Contracting Agency is transmitted, treated and disposed of by means of a Nonreclaimable Waste Disposal System, a portion of the costs of the maintenance and operation of that system shall be included in the net audited costs of the maintenance and operation of the Regional Sewerage System and in the service charge rate as provided in Section 17 hereof. Such portion shall include: (i) charges actually paid or incurred by CBMWD to any person or public or private entity providing for the further transmission, treatment and disposal of the sewage delivered by a Contracting Agency and (ii) a pro rata share of the total costs of maintenance and operation of

those parts of the Nonreclaimable Waste Disposal System actually used by CBMWD for the transmission of said sewage to the person or public or private entity providing for the further transmission, treatment, and disposal thereof. Said pro rata share shall be in the proportion that the quantity of sewage delivered into the Nonreclaimable Waste Disposal System by all Contracting Agencies bears to the total quantity of all sewage and nonreclaimable industrial wastes delivered by CBMWD to the person or public or private entity providing for the further transmission, treatment, and disposal thereof.

Any capital costs associated with the disposal of Regional Sewerage System sewage through a Nonreclaimable Waste Disposal System, including the cost of acquiring permanent capacity or usage rights in Nonreclaimable Waste Disposal System facilities, shall be funded as provided in Section 9 hereof.

(Amended April 12, 1984)

Section 9. CAPITAL FINANCING OF REGIONAL SEWERAGE SYSTEM

A. General

The Regional Sewerage System and any improvement or expansion of that system will provide benefits to the entire territory served by that system in that the entire territory will be benefited by the protection of public health, the protection of the quality of water sources, the improvement of water management through integrated use of all sources of water supply, including sewage treatment plant effluent, the

improvement of general conditions for individual, residential, commercial and agricultural development and the reduction in costs for the transmission, treatment, and disposal of sewage by the pro rata sharing of all costs incurred by CBMWD in the maintenance and operation of the Regional Sewerage System.

The acquisition, construction, improvement and expansion of the Regional Sewerage System shall be financed with Improvement District "C" real property tax revenues, revenues from sewage service standby or availability charges levied by the Board of Directors of CBMWD, grants and other financial assistance which may be available from any federal, state, local or other source and Supplemental Capital Outlay Funds contributed by the Contracting Agencies.

B. Improvement District "C" - Acquisition From Original Contracting Agencies and Expansion of Regional Sewerage System

CBMWD has heretofore initiated and completed proceedings under the provisions of Part 8 (commencing with Section 72000) of Division 20 of the Water Code for the formation of Improvement District "C" for the purpose of (i) acquiring certain existing sewage facilities for the Regional Sewerage System from some of the Contracting Agencies, (ii) the expansion of that system, and (iii) levying and collecting taxes in said improvement district for payment of the costs and expenses of the foregoing. The boundaries of Improvement

District "C" are shown on Exhibit "D" attached hereto and made a part hereof.

C. Acquisition of Sewage Treatment Plants and Interceptor Sewers of Other Sewage Collection Agencies; Annexation to Improvement District "C"

Upon obtaining the written approval of all Contracting Agencies, other than the State of California, CBMWD may acquire all or any part of any existing sewage treatment and disposal plant or interceptor sewers owned by any sewage collection agency and all such property, upon its acquisition, shall become a part of the Regional Sewerage System.

Any agreement by CBMWD for the acquisition of any existing sewage treatment and disposal plant or interceptor sewer, as part of the Regional Sewerage System, shall provide for either the annexation of the area benefited by said existing facilities to Improvement District "C" or sewer service under provisions of Section 12 hereof for the benefited area, and for the designation of the Contracting Agency which shall be responsible for the operation of the Community Sewer System within said area. CBMWD agrees that if it initiates and conducts proceedings for the annexation of such territory to Improvement District "C", the Contracting Agency responsible for the operation of the Community Sewer System therefore shall be liable as a condition of annexation for payment of (i) all costs

and expenses incurred by CBMWD incident to such annexation proceedings, including legal and engineering fees, reproduction, publication, mailing, administration any other related costs and expenses, (ii) capital outlay charges and extraordinary capital outlay charges, as provided for in Section 12 hereof, and (iii) Capital Capacity Reimbursement Payments which would have been payable or credited to the Contracting Agency's Capital Capacity Reimbursement Account if the annexed territory had been part of said improvement district from its formation. The total of such charges and payments shall be adjusted for the present value of the sewage facilities acquired by CBMWD. All such payments received by CBMWD pursuant to this part C shall be credited to the Regional Wastewater Capital Improvement Fund.

D. Improvement District "C" Taxes; Sewage Service Standby or Availability Charges

The primary source of financing the acquisition, improvement and expansion of the Regional Sewerage System shall be CBMWD's share of the property tax revenues allocated each fiscal year by the County Auditor of the County of San Bernardino to CBMWD for Improvement District "C". Upon receipt, CBMWD shall deposit or credit the total amount of such property tax revenues in or to the Regional Wastewater Capital Improvement Fund and all such amounts together with all interest earned thereon shall be available to and utilized by CBMWD solely for the purpose of financing the acquisition, improvement

and expansion of the Regional Sewerage System.

The Board of Directors of CBMWD may fix, levy, and collect sewage service standby or availability charges for the propose of financing the acquisition, improvement and expansion of the Regional Sewerage System. When collected, such charges shall be deposited in or credited to the Regional Wastewater Capital Improvement Fund and use for the aforesaid purpose. Any ordinance or any amendment of an ordinance imposing such charges shall be adopted by the Board of Directors of CBMWD in the manner provided in section 5 of the Capital Outlay Ordinance, or any amendment thereof, and the applicable provisions of the Municipal Water District Act of 1911, Division 20 of the Water Code. Notwithstanding the preceding provisions of this paragraph, upon receiving written request from a majority of the Contracting Agencies for the levy and collection by CBMWD of such sewage service standby or availability charges, the Board of Directors of CBMWD shall initiate the proceedings necessary for the fixing, levying and collection of such charges; provided that the Board of Directors of CBMWD may, after the public hearing on the fixing, levying and collection of such charges, elect not to fix, levy and collect such charges if it determines in its sole discretion that such an election is in the best interest of the Contracting Agencies and CBMWD.

E. Capital Capacity Reimbursement Account and Capital Capacity Reimbursement Payments

1. General

For the purpose of providing Supplemental Capital Outlay Funds to CBMWD, each Contracting Agency shall establish and maintain throughout the term of this Contract a Capital Capacity Reimbursement Account to which the Contracting Agency shall deposit or credit its Capital Capacity Reimbursement Payments. The amounts so deposited or credited by a Contracting Agency to its said account shall be used by the Contracting Agency only for the purpose of providing Supplemental Capital Outlay Funds to CBMWD; provided that interest earned on such amounts shall not be so restricted and may be used by the Contracting Agency for any lawful purpose. The source of Capital Capacity Reimbursement Payments shall be at the discretion of each Contracting Agency.

2. Capital Capacity Reimbursement Payments

Each Contracting Agency shall have deposited or credited to its Capital Capacity Reimbursement Account a Capital Capacity Reimbursement Payment for each connection which has been or will be made to its Community Sewer System or for each change in use of an existing commercial or industrial connection in an amount determined as follows:

(a) Prior to July 1, 1984:

(1) \$950 for each newly constructed, Residential Unit which is connected to the Contracting Agency's Community Sewer

System after July 1, 1979, not including, however, any such units which are replacements for similar units which were connected to said system.

(2) For each newly constructed Commercial Unit or Industrial Unit which is connected to the Contracting Agency's Community Sewer System after January 1, 1980, the amount of such payment shall be \$150 plus \$30 per fixture unit as defined in the Uniform Plumbing Code and \$0.50 per gallon estimated sewage flow in excess of 3,000 gallons per day up to a maximum of 15,000 gallons per day; provided that for any such unit or use having an estimate sewage flow in excess of 15,000 gallons per day, the amount of the Capital Capacity Reimbursement Payment therefore shall be determined by the Regional Technical Committee and approved by CBMWD.

(b) After the date set forth in paragraph (a) above the amount of the Capital Capacity Reimbursement Payment for each new connection to a Contracting Agency's Community Sewer System and for each change in use of any existing Commercial Unit or Industrial Unit which results in an increase in volume or strength of sewage therefrom shall be determined by computing the number of Equivalent Dwelling Units therefor as provided in Exhibit "J" attached hereto and made a part hereof and applying the then current Capital Capacity Reimbursement Payment amount as established by the Regional Policy Committee to each such EDU.

Notwithstanding the preceding provisions of this subpart 2, the amount which a Contracting Agency is required to have deposited in or credited to its Capital Capacity Reimbursement account for any such new connection or change of use shall be reduced by payments, if any, made by the Contracting Agency to CBMWD for the new connection or change of use under either of the following agreements: The agreement entitled "Agreement to Increase Capacity of Regional Plant No. 2 of the Chino Basin Municipal Water District", entered into on May 26, 1979, between CBMWD, City of Chino and the County of San Bernardino or the agreement entitled "Agreement for Interim Sewage Treatment Plant between Chino Basin Municipal Water District and the Cities of Upland and Ontario and the Cucamonga County Water District," entered into on January 23, 1979.

A Capital Capacity Reimbursement Payment shall be deposited or credited to a Contracting Agency's Capital Capacity Reimbursement Account for such a new connection or change of use at the time of the issuance of a building permit or a sewer connection permit, whichever is issued earlier, or for changes in the use of existing Commercial Units and Industrial Units, the permit required therefor.

3. Capital Capacity Reimbursement Reports

(a) Each Contracting Agency shall report monthly to CBMWD, at such time as CBMWD shall designate, the balance of the funds in its Capital Capacity Reimbursement Account as of the last day of the preceding month. Such monthly reports shall be

in writing and shall also contain the number of building permits and sewer permits which were issued in the Contracting Agency's Service Area during the preceding month and estimated volume of sewage flows for all residential, commercial and industrial connections within the Contracting Agency's Service Area for the current month and the cumulative total thereof. Commercial and industrial sewer connection permits shall be listed by individual permit with the number of fixture units and expected volume and strength of sewage for each permit.

(b) CBMWD shall maintain a summary accounting of the Capital Capacity Reimbursement Account reserves of all Contracting Agencies and shall make written quarterly reports to the Contracting Agencies on or before January 15, April 15, July 15 and October 15 of each fiscal year which shall include: (i) the amounts of the Capital Capacity Reimbursement Account reserves of all Contracting Agencies as of the last day of the second month of the preceding quarter (i.e., November 30, February 28, May 31 and August 31, respectively), (ii) the amount of the Regional Wastewater Capital Improvement Fund reserves as of the last day of the preceding quarter (i.e., the preceding three calendar months), (iii) a summary of all expenditures from said fund during the preceding quarter for each Regional Sewerage System capital improvement project then in progress, (iv) an estimate of the amounts to be expended from said fund for each such project during the quarter then commencing or in progress (the "current quarter"), (v) the

estimated amount of Supplemental Capital Outlay Funds, if any, which it will be necessary for the Contracting Agencies to contribute to CBMWD during the current quarter in order to provide a working capital balance in said fund which shall not exceed \$1,000,000 on the last day of the second month of the quarter next succeeding the current quarter (i.e., May 31, August 31, November 30 and February 28, respectively), and (vi) the amount, if any, of the contribution of Supplemental Capital Outlay Funds for each Contracting Agency for the current quarter, determined as provided in subparts 5 and 6 of this part E.

4. Determination of Demand Deficits

Annually at the time of the preparation of each Ten-Year Forecast, pursuant to Section 9A hereof, CBMWD shall determine each Contracting Agency's Demand Deficit, if any. The determination of Demand Deficits pursuant to this subpart is for the sole purpose of allocating shortages in Supplemental Capital Outlay Fund payments as provided in subpart 6 of this part E. Except as provided in said subpart 6, such determinations shall not result in the creation of an obligation or indebtedness on the part of any Contracting Agency to CBMWD or other Contracting Agencies.

5. Supplemental Capital Outlay Fund Payments

On July 15, October 15, January 15, and April 15 of any fiscal year CBMWD may require payment by each Contracting Agency from its Capital Capacity Reimbursement Account of

Supplemental Capital Outlay Funds for the planning, design and construction of Regional Sewerage System capital improvement projects in the amount, if any, set forth for the Contracting Agency in the quarterly report due from CBMWD on such date. Upon receiving such a demand from CBMWD each Contracting Agency shall pay the amount demanded to CBMWD within 45 days of receipt of such demand. The amount of each Contracting Agency's proportionate share of the total amount of Supplemental Capital Outlay Funds demanded by CBMWD from all Contracting Agencies shall be determined based on the percentage which the amount of Supplemental Capital Outlay Funds demanded by CBMWD from all Contracting Agencies is to the total amount of the current Capital Capacity Reimbursement Account reserves of all Contracting Agencies set forth in the quarterly report upon which the demand is based. The amount demanded by CBMWD from each Contracting Agency on any such date shall be an amount determined by applying the percentage thus obtained to the balance of the reserves, not including interest, in the Contracting Agency's Capital Capacity Reimbursement Account set forth in the quarterly report upon which the demand is based. All amounts received by CBMWD from the Contracting Agencies as Supplemental Capital Outlay Funds shall be deposited in or credited to the Regional Wastewater Capital Improvement Fund. All such amounts together with all interest earned thereon shall be available and utilized by CBMWD solely for the purpose of financing the acquisition, improvement and expansion of the

Regional Sewerage System.

6. Allocation of Supplemental Capital Outlay Fund Shortages

If at the time of any demand by CBMWD for Supplemental Capital Outlay Funds, pursuant to subpart 5 of this part E, there are not sufficient funds deposited or credited to the Capital Capacity Reimbursement Accounts of all Contracting Agencies to pay the full amount of the demand, each Contracting Agency which has a Demand Deficit shall pay to CBMWD the full balance then deposited or credited to its Capital Capacity Reimbursement Account plus an amount determined based on the percentage which the amount of its Demand Deficit is of the total Demand Deficit for all Contracting Agencies. The amount to be paid by each such Contracting Agency shall be determined by multiplying the difference between the Supplemental Capital Outlay Fund demand and the total amount of the Capital Capacity Reimbursement Account balances of all Contracting Agencies by the percentage thus determined. (Amended April 12, 1984)

F. Investment of Regional Wastewater Capital Improvement Fund

All amounts deposited or credited to the Regional Wastewater Capital Improvement Fund shall be invested by CBMWD in a prudent manner in accordance with sound investment practices for the investment of public funds and pursuant to Section 53635 and 53651 of the Government Code. All earnings from such investments shall remain in the Regional Wastewater

Capital Improvement Fund and shall be reinvested and used solely for the purpose of financing the acquisition, improvement and expansion of the Regional Sewerage System.

Section 9A. FORECASTING AND PLANNING

A. Contracting Agency Reports

1. Annual Forecast

Prior to January 15, of each year, each Contracting Agency shall submit to CBMWD an updated forecast of its Capacity Demand for the succeeding ten fiscal years, which shall contain in a format required by CBMWD an estimate of the annual increase in volume of combined residential, commercial and reclaimable domestic strength industrial sewage to be delivered from the Contracting Agency's Community Sewer System into the Regional Sewerage System for each such year and the number of Equivalent Dwelling Units associated with such estimated volume.

2. Monthly Reports

On such date as CBMWD may designate, each Contracting Agency shall submit to CBMWD monthly reports of sewer building activity. Each such report shall contain the following information in a format which will allow tracking through the development process:

(a) The number of building permits issued during the month for structures which will contribute sewage to the Regional Sewerage System;

(b) Estimate volume of sewage and EDUs for such building permits;

(c) The tract number and number of lots for each tentative tract map approved during the month;

(d) The tract number and number of lots or dwelling units for each final tract map recorded during the month;

(e) The number of final inspections or certificates of occupancy issued during the month for structures which will contribute sewage to the Regional Sewerage System;

(f) The estimate volume of sewage and EDUs for all such structures.

B. CBMWD Reports

1. Ten-Year Forecast

Prior to April 1 of each year, CBMWD shall prepare and deliver to the Regional Technical Committee and the Regional Policy Committee a ten-year forecast of the Capacity Demands of all Contracting Agencies and a forecast of the dates of commencement and completion of the design and construction of capital improvement projects which will be necessary to enable the Regional Sewerage System to meet the forecasted Capacity Demands of all Contracting Agencies. Such forecasts, hereinafter referred to as the "Ten-Year Forecast," shall include:

(a) Estimates for each Regional Treatment Plant of the Capacity Demand of each Contracting Agency which receives sewerage service thereat as of June 30 of each year;

(b) An estimate of the amount of existing unused capacity for each Regional Treatment Plant as of July 1 of each year;

(c) Projected dates for the commencement and completion of design and construction of capital improvement projects necessary to meet forecasted Capacity Demands;

(d) An estimate of the amount of capacity to be added by each such project;

(e) Projected annual expenditures for the design and construction of such projects;

(f) The current balance of funds in the Regional Wastewater Capital Improvement Fund and an estimate for each year identified by source of the amount to be deposited into said fund;

(g) Current reserves in the Capital Capacity Reimbursement Accounts of all Contracting Agencies;

(h) The estimate Supplemental Capital Outlay Funds to be contributed by each Contracting Agency to CBMWD for each fiscal year included in the Ten-Year Forecast;

(i) The Demand Deficit, if any, of each Contracting Agency;

(j) A recommendation as to whether the amount of the Capital Capacity Reimbursement Payment should be increased or decreased and, if so, the amount of increase or decrease.

2. Mid-Year Report as to Financial Requirements

Prior to October 1 of each year, CBMWD shall prepare

and submit to the Regional Technical Committee and the Regional Policy Committee for review and comment a report as to the progress and status of the design and construction of capital improvement projects. Said report shall also contain revisions or current information regarding the matters referred to in subparagraphs (a), (b), (e), (g), (i) and (j) of subpart 1 of this part B.

3. Review by Regional Policy Committee

A. Ten-Year Forecast

Within 45 days after receipt from CBMWD of a Ten-Year Forecast, the Regional Policy Committee shall prioritize the capital improvement projects recommended therein and make such further recommendations to CBMWD as it deems appropriate. Capital improvement projects shall be prioritized based on the Forecasted Demands for all Contracting Agencies who do or will receive sewerage service therefrom or thereat as of the end of the third fiscal year included in the Ten-year Forecast, and facilities having the highest ratio of forecasted rates of flow to rated capacity shall be given the highest priority. Interceptor sewers shall be considered to be at 100 percent of capacity when the forecasted rate of flow therein will result in a depth of flow therein of three-fourths of the pipe diameter thereof; sewage treatment and disposal plants shall be considered to be 100 percent of capacity when the projected rate of flow into the plant will exceed 80 percent of the rated capacity thereof as determined by the Regional Technical

Committee. The prioritization of the Regional Policy Committee shall be binding upon CBMWD, and CBMWD shall follow the recommendations of the Regional Policy Committee with respect to scheduling of design and construction of prioritized capital improvement projects unless the Board of Directors of CBMWD determines, based on specific findings, that the Regional Policy Committee's recommended schedule for design and construction would impair its ability to operate the Regional Sewerage System or would impose unreasonable burdens upon it with respect to construction supervision or administration or financing of Regional Sewerage System capital improvement projects or unless a Contracting Agency objects in writing to the recommendations of the Regional Policy Committee. In the event of such a determination by CBMWD's Board of Directors or such a written objection, the hearing procedures set forth in Section 26A hereof shall apply and CBMWD's Board of Directors shall not make a final determination with respect to the Regional Policy Committee's recommendation until such hearing procedures have been completed.

B. Mid-Year Reports

Within 45 days after receipt from CBMWD of a mid-year report as provided in subpart 2 of this part B the Regional Policy Committee may but need not make recommendations or comments to CBMWD with respect thereto. CBMWD's Board of Directors shall follow the recommendations of the Regional Policy Committee with respect to such reports unless it

determines, based on specific findings, that to do so would impair its ability to operate the Regional Sewerage System or impose unreasonable burdens with respect to the timing of design and construction or financing of design and construction of Regional Sewerage System capital improvement projects or unless a Contracting Agency objects thereto in writing. In the event of such a determination by said Board of Directors or the filing of such a written objection, the hearing procedures set forth in Section 26A hereof shall apply and CBMWD's Board of Directors shall not make a final determination with respect to the Regional Policy Committee's recommendations until such hearing procedures have been completed.

C. Determination of Capital Capacity Reimbursement Amount; Amendment of Exhibit "J"

The Regional Policy Committee may prior to July 1 or January 1 of any year determine to increase or decrease the amount of the Capital Capacity Reimbursement Payment to be deposited or credited by the Contracting Agencies to their Capital Capacity Reimbursement Accounts for all new connections to their Community Sewer Systems based upon the estimated financial requirements set forth in a Ten-Year Forecast or mid-year report received from CBMWD. Prior to either of said dates, the Regional Policy Committee may also determine to modify the table and formulae set forth in Exhibit "J" hereto for determining Equivalent Dwelling Units and the amount of Capital Capacity Reimbursement Payment for new connections to Community

Sewer Systems. If the Regional Policy Committee determines that it is necessary to increase or decrease the amount of such payment or to modify such formulae, or both, the chairman of said committee shall communicate such determination or determinations in writing to the Board of Directors of CBMWD, and upon receiving such a communication, said Board of Directors shall adopt a resolution implementing the increase or decrease in the amount of Capital Capacity Reimbursement Payment and the modification of said table and formulae or both, and setting forth the date when such increase or decrease or such modification or both will become effective. Such a determination or determinations by the Regional Policy Committee and the adoption of such a resolution by the Board of Directors of CBMWD shall be binding on all Contracting Agencies, and they shall expeditiously implement the resulting change in the amount of Capital Capacity Reimbursement Payment by appropriate legislative and administrative action.

D. Reclaimable Industrial Waste

No allowance shall be made in Contracting Agency reports submitted to CBMWD pursuant to part A of this section or in any Ten-Year Forecast for any expected increase in the volume or strength of sewage attributable to proposed new industrial connections to Community Sewer Systems which are expected to discharge more than 15,000 gallons per day of reclaimable domestic strength industrial waste. All such proposed new

connections shall be reviewed by CBMWD and the Regional Technical Committee on a case-by-case basis to determine whether the waste to be discharged therefrom shall be taken into the Regional Sewerage System and the appropriate connection point' provided that, CBMWD and the Regional Technical Committee shall not disapprove such an industrial connection to a Contracting Agency's Community Sewer System unless it is determined by CBMWD or said committee that the sewage to be discharged there from will not meet the quality standards set forth by CBMWD, or will adversely affect the ability of the Regional Treatment Plant where the sewage therefrom will be treated to meet the Forecasted Demands of other Contracting Agencies which also receive sewerage service thereat, or will result in the effluent from said plant violating the waste discharge requirements prescribed for said plant by the California Regional Water Quality Control Board. (Amended October 19, 1994)

E. Forecast for Purposes of Determining Demand Deficits

Notwithstanding the preceding provisions of this section, for purposes of determining the Demand Deficits, if any, of the Contracting Agencies, as provided in subpart 4 of part E of Section 9 hereof, the Forecasted Demand for each Contracting Agency for each of the initial two years of each Ten-Year Forecast shall be deemed to be the same as was set forth for each of said years in the preceding Ten-Year Forecast. CBMWD shall set forth separately in each Ten-Year Forecast the

Forecasted Demand for each Contracting Agency for the initial two years thereof, determined as in this part provided. Said portion of each such Ten-Year Forecast shall be applicable only for purposes of determinations to be made pursuant to said subpart 4 and for no other purpose. Notwithstanding the preceding provisions of this part E, if in this most recent Annual Forecast, pursuant to subpart 1 of part A of this Section 9A, preceding the preparation of any Ten-Year Forecast a Contracting Agency has increased its Forecasted Demand for either of the initial two years of the Ten-Year Forecast over the Forecasted Demand set forth in the preceding Ten-Year Forecast, the Forecasted Demand for that Contracting Agency for each of such initial two years of the Ten-Year Forecast then begin prepared shall be the increased Forecasted Demand set forth therefor in the Contracting Agency's said Annual Forecast.

(Added April 12, 1984)

Section 9B. AVAILABLE SEWERAGE CAPACITY

A. Monitoring and Reports

To ensure that available unused capacity in the Regional Sewerage System is and will be utilized to provide sewerage service to the Contracting Agencies based on their Forecasted Demands contained in the Ten-Year Forecasts, and that no Contracting Agency is deprived of sewerage service based on its Forecasted Demand as the result of any other Contracting Agency or Contracting Agencies utilizing capacity of the Regional Sewerage System substantially in excess of its or their

Forecasted Demand or Demands, respectively, CBMWD shall, at intervals not exceeding 60 days in duration, determine the quantity of sewage entering the Regional Sewerage System from the Community Sewer System of each Contracting Agency. On or before March 1 and September 1 of each fiscal year CBMWD shall submit to the Regional Policy Committee a written report regarding the relationship between the actual Capacity Demand of each Contracting Agency and the Contracting Agency's Forecasted Demand for the fiscal year.

B. New Connections

So long as the Capacity Demand of a Contracting Agency does not at any time in any fiscal year exceed its Forecasted Demand for the year by more than 15 percent or 100,000 gallons per day, whichever is greater, or if said 15 percent exceeds 200,000 gallons per day, the Contracting Agency may allow new connections to its Community Sewer System without restriction. However, if at any time during any fiscal year the Contracting Agency's Capacity Demand exceeds its Forecasted Demand for the year by more than 15 percent or 100,000 gallons per day, whichever is greater, or if said 15 percent exceeds 200,000 gallons per day, the Contracting Agency shall not allow further connections to its Community Sewer System until and unless it is determined by CBMWD that the Contracting Agency's Capacity Demand no longer so exceeds its Forecasted Demand.

C. Transfer of Capacity Demand

Notwithstanding the provisions of part B of this section, a Contracting Agency whose Capacity Demand exceeds its Forecasted Demand by more than 15 percent or 100,000 gallons per day, whichever is greater, or if said 15 percent exceeds 200,000 gallons per day ("Exceeding Contracting Agency"), may continue to allow new connections to its Community Sewer System if it receives a transfer of a portion of the Forecasted Demand of a Contracting Agency which receives sewerage service at the same Regional Treatment Plant and whose Capacity Demand is more than 15 percent or 100,000 gallons per day, whichever is greater, less than its Forecasted Demand. In the event of such a transfer, the portion of the Forecasted Demand of the transferring Contracting Agency to be transferred shall be deducted from the Forecasted Demand of the transferring agency and added to the Forecasted Demand of the Exceeding Contracting Agency for purposes of determining whether the Exceeding Contracting Agency's Capacity Demand will continue to exceed its Forecasted Demand by more than 15 percent or 100,000 gallons per day, whichever is greater, or if said 15 percent exceeds 200,000 gallons per day. Such transfers of Forecasted Demand between Contracting Agencies shall become effective upon the filing with CBMWD of a written agreement between the affected Contracting Agencies. A transferring Contracting Agency shall not receive

any payment or other consideration from the Exceeding Contracting Agency for the transfer of Forecast Demand.

D. Policy Committee Review

If CBMWD determines that a Contracting Agency's Capacity Demand is exceeding the Contracting Agency's Forecasted Demand for the fiscal year by more than 15 percent or 100,000 gallons per day, whichever is greater, or if said 15 percent exceeds 200,000 gallons per day, or if a Contracting Agency determines at any time that its Capacity Demand will so exceed its Forecasted Demand, the Contracting Agency may request the Regional Technical Committee and the Regional Policy Committee to determine whether because of Regional Sewerage System capital improvement projects then under construction or the construction of which will be commenced within the next six months, it can nevertheless be allowed to continue to make new connections to its Community Sewer System without affecting the availability of capacity in the Regional Treatment Plant where it receives sewerage service for other Contracting Agencies which also receive such service at such plant.

Such a request shall be made in writing and copies thereof shall be delivered to CBMWD and all Contracting Agencies. Upon receipt of any such written request, the Regional Technical Committee shall conduct an investigation and make recommendations to the Regional Policy Committee as to whether or not because of such current and pending Regional

Sewerage System capital improvement projects the Contracting Agency requesting the determination may be allowed to continue to make new connections to its Community Sewer System without affecting the availability of capacity in the Regional Treatment Plant where it receives sewerage service for other Contracting Agencies.

The Regional Policy Committee shall upon the basis of such recommendation determine whether or not the Contracting Agency requesting the determination should be allowed to continue to make new connections to its Community Sewer System and make a recommendation thereon to CBMWD; provided that, CBMWD shall not allow a Contracting Agency requesting such a determination to make new connections to its Community Sewer System at any time after its Capacity Demand exceeds its Forecasted Demand for a fiscal year by more than 15 percent or 100,000 gallons per day, whichever is greater, or if said 15 percent exceeds 200,000 gallons per day, if the Regional Policy Committee recommends against such new connections unless, following a hearing conducted pursuant to the provisions of Section 26A hereof, the Board of Directors of CBMWD determines by resolution containing specific findings that because of such current and pending Regional Sewerage System capital improvement projects the Contracting Agency should be allowed to continue to make new connections to its Community Sewer System. (Added April 12, 1984)

Section 9C. MAJOR CONSTRUCTION CONTRACTS

A. Construction Contracts

CBMWD shall not proceed with the award of a construction contract for a budgeted Regional Sewerage System capital improvement project which will involve an expenditure in excess of \$1,000,000 without the approval of the Regional Policy Committee. (Such projects are hereinafter referred to as "Major Projects.") To assist in the Regional Policy Committee's review of Major Projects, CBMWD shall prepare and submit to the Regional Policy Committee a short-term financial forecast for each Major Project which shall cover the anticipated duration of the project. The forecast shall include and consider current building and sewer connection activity as reported by each Contracting Agency, Regional Wastewater Capital Improvement Fund and Capital Capacity Reimbursement Account balances and other relevant data requested by the Regional Policy Committee. The Regional Policy Committee shall meet to approve or disapprove any Major Project within 45 days after receipt of the completed short-term financial forecast therefor. Such approval or disapproval shall be based on the availability of Regional Wastewater Capital Improvement Fund and Capital Capacity Reimbursement Account balances to finance the construction of the project.

B. Design Contracts

1. Prioritized Projects

CBMWD shall not award a contract for the design of any Major Project which has not been prioritized by the Regional Policy Committee pursuant to subpart 3 of part B of Section 9A hereof.

2. Selection of Design Engineers

Before proceeding with the design of any Major Project, CBMWD shall prepare and issue requests for proposals to qualified engineering firms experienced in the design of wastewater facilities. The Regional Technical Committee shall review all proposals received and, within 45 days after receipt thereof, deliver to CBMWD an unranked recommended list of no less than three (3) qualified engineering firms. CBMWD shall select the design engineer from the committee's recommended list. Upon failure of the Regional Technical Committee to deliver such a listing to CBMWD within 45 days after receipt of the proposals for the design of a project, CBMWD may select any qualified engineering firm submitting a proposal as the design engineer.

3. Design Review

CBMWD shall keep the Regional Technical Committee fully informed of the progress and details of design of all Major Projects through three (3) formal meetings with the design engineer and periodic progress reports by CBMWD. The three formal meetings shall occur:

(a) The first meeting shall occur within thirty (30) days after the design engineer is given notice to proceed. At that meeting the general details of design shall be discussed and agreed upon by the committee and the design engineer.

(b) The second meeting shall occur upon the completion of 10 percent of the design work. At that meeting the design engineer shall have completed and submit to the committee an analysis of unit process requirements and sizing, preliminary layouts and flow sheets, and a preliminary estimate of construction cost. Based on the discussion at this meeting, the design engineer shall prepare and deliver to the committee a written report, which shall when agreed to by the committee, serve as the basis for final design.

(c) The third meeting shall occur upon the completion of 60 to 70 percent of the design work and shall be for the purpose of an in depth review by the committee. (Added April 12, 1984)

Section 10. (Deleted April 12, 1984)

Section 11. AVAILABILITY OF REGIONAL SYSTEM;

CBMWD'S PERFORMANCE

A. Contracting Agencies

The services and facilities of the Regional Sewerage System shall be available to any property within Improvement District "C," subject to such terms and conditions as may be prescribed by a Contracting Agency for connection to its Community Sewer System.

B. Other Sewage Collection Agencies

CBMWD shall not make the services and facilities of the Regional Sewerage System available, other than on a temporary, emergency basis, to any sewage collection agency which is not a party to a Service Contract until such agency has entered into a service contract. Any Contracting Agency may restrain violations of the provisions of this part B by mandamus, injunction or other appropriate remedy.

C. CBMWD's Performance

CBMWD shall exert every reasonable effort to insure that capital improvement projects necessary to enable the Regional Sewerage System to meet the Forecasted Demands of all Contracting Agencies are planned, designed and constructed in a timely manner and so that the Regional Sewerage System will at all time be able to provide for the Capacity Demands of all Contracting Agencies. The Contracting Agencies recognize that the timing of the planning, design and construction of such capital improvement projects is largely dependent upon the Contracting Agencies making reasonable accurate projections of increased connections to and usage of their Community Sewer Systems. (Amended April 12, 1984)

Section 12. EXTRA-TERRITORIAL SEWER SERVICE

A. Service Outside the Boundaries of CBMWD and Improvement District "C"

1. Upon the Effective Date of a Service Contract

Any Contracting Agency which, upon the effective date

of the Service Contract with that agency, was furnishing sewer service to any territory outside the boundaries of CBMWD and Improvement District "C," may continue to furnish such service and shall be entitled to the services and facilities of the Regional Sewerage System for that purpose. Each Contracting Agency providing sewer service to any such outside territory shall file a map or maps with the secretary of CBMWD showing the boundaries of all such territory.

2. After the Effective Date of a Service Contract

Any Contracting Agency, after the effective date of the Service Contract with that agency, may furnish sewer service to additional territory outside the boundaries of CBMWD and of Improvement District "C." Prior to furnishing such sewer service, the Contracting Agency shall file a written request with CBMWD. Upon receipt of such a written request, CBMWD shall notify all other Contracting Agencies in writing of the receipt of the request. At the written request of any Contracting Agency, CBMWD shall schedule a hearing on the written request for extra-territorial service, and the hearing shall be conducted by CBMWD in accordance with the hearing procedures set forth in Section 26A hereof; provided that such a request for a hearing must be received by CBMWD within thirty (30) days after the date of CBMWD's written notice of the receipt of the request.

The hearing shall be upon the question of authorizing sewer service to the additional territory. Upon the conclusion

of the hearing, the Board of Directors of CBMWD shall by resolution authorize sewer service to all or any part of the additional territory by the applicant or applicants unless it determines that such service is not in the public interest, in which case the resolution of said Board of Directors shall set forth findings in support of that determination.

B. Annual Capital Outlay Charge for Territory Outside CBMWD and Improvement District "C"

In addition to the payment of service charges, each Contracting Agency providing the services and facilities of the Regional Sewerage System to territory outside CBMWD and Improvement District "C" shall be obligated to pay CBMWD special capital outlay charges for such territory, as provided in subpart 1 or 2 of this part B or both such subparts, if both are applicable. Moneys received by CBMWD in payment of special capital outlay charges shall be deposited or credited to the Regional Wastewater Capital Improvement Fund and utilized, together with all interest earned thereon, solely for the purpose of financing the acquisition, improvement and expansion of the Regional Sewerage System.

1. Annual Capital Outlay Charge

The Contracting Agency shall annually pay CBMWD a special capital outlay charge in an amount equivalent to the amount of the property tax and other revenue which CBMWD would have received during the fiscal year if such property were within Improvement District "C." Such charge shall be payable

by the Contracting Agency during each fiscal year in the amounts and at the times specified by CBMWD.

2. Extraordinary Capital Outlay Charge

If any Contracting Agency furnishes sewer service to any additional territory outside of CBMWD and Improvement District "C" pursuant to subpart 2 of part A of this section after the effective date of the Service Contract with that agency, the Contracting Agency shall pay to CBMWD an extraordinary capital outlay charge with respect to such territory. Such charge shall be in an amount equal to the total of (i) all past capital outlay taxes which would have been imposed by CBMWD prior to July 1, 1978 upon taxable property within such territory had it been subject to taxation by CBMWD for capital outlay taxes under the Capital Outlay Ordinance, (ii) an amount equivalent to the total property tax revenue which would have been received by CBMWD pursuant to Sections 96 through 99 of the Revenue and Taxation Code for all fiscal years subsequent to July 1, 1978, and (iii) and an amount equal to all other revenues which CBMWD would have received had such territory been within Improvement District "C." CBMWD may authorize any extraordinary capital outlay charges to be paid in deferred installments plus interest over a period not exceeding 25 years from the commencement of sewer service to the extra-territorial territory or the unexpired term of this contract, whichever may be the shorter.

C. Capital Capacity Reimbursement Account Payments

If any Contracting Agency furnishes sewer service to any additional territory pursuant to subpart 2 of part A of this section after the effective date of the Service Contract with that agency, the Contracting Agency shall deposit or credit to its Capital Capacity Reimbursement Account a Capital Capacity Reimbursement Payment for each new Residential Unit which was or is connected to its Community Sewer System within that territory subsequent to July 1, 1979 and for each newly constructed Commercial Unit or Industrial Unit which was or is connected to the Community Sewer System within that territory subsequent to January 1, 1980, the amount of which shall be determined as provided in subpart 2 of part E of Section 9 hereof. (Amended April 12, 1984)

Section 13. DELIVERY POINTS: CONNECTION COSTS

Each Contracting Agency shall deliver sewage from its Community Sewer System into the Regional Sewerage System at such delivery points as may, from time to time, be requested by the Contracting Agency and approved by CBMWD. CBMWD shall give the Regional Technical Committee not less than 60 days' written notice of its intention to approve any new delivery point. Upon receipt of a favorable report and recommendation from the committee or upon failure of the committee to report within said 60-day period, CBMWD may authorize the new delivery point. If the Regional Technical Committee recommends against a new delivery point for any Contracting Agency, the Contracting Agency may file a written request for a hearing with the

secretary of the Board of Directors of CBMWD. Upon receipt of such a request, said Board of Directors shall schedule and conduct a hearing in accordance with the provisions of Section 26A hereof. All costs and expenses of making the connection between the Regional Sewerage System and the Community Sewer System of any Contracting Agency shall be borne by the Contracting Agency. (Amended April 12, 1984)

Section 14. DETERMINATION OF SEWAGE DELIVERIES:

COSTS OF MEASURING EQUIPMENT

CBMWD shall determine the amount of sewage delivered to the Regional Sewerage System by all Contracting Agencies and shall maintain accurate and complete records thereof. The amount of sewage delivered to the Regional Sewerage System by each Contracting Agency shall be determined by CBMWD based on a standard daily measurement or contribution per Equivalent Dwelling Unit agreed to from time to time by CBMWD and the Regional Technical Committee.

If required by CBMWD, after recommendation of the Regional Technical Committee, a Contracting Agency shall install, at its expense, and CBMWD shall maintain and operate at its expense, measuring devices and equipment for measuring the flow of sewage from the Contracting Agency's Community Sewer System into the Regional Sewerage System. Prior to installation, CBMWD shall approve the design of such measuring devices and equipment and shall inspect and approve their installation. Such measuring devices and equipment shall be

examined, tested and serviced regularly, but not less than once a year, by CBMWD to insure their accuracy. At any time CBMWD or any Contracting Agency may inspect any such measuring device and equipment and all records and measurements taken therefrom.

(Amended April 12, 1984)

Section 15. CONTROL AND DISPOSITION OF SEWAGE:

CONTRACTING AGENCIES RIGHT OF PURCHASE OF TREATED OR RECLAIMED EFFLUENT

A. General

Subject to the provisions of this Section 15 and Section 16, CBMWD shall have total ownership and control of all sewage delivered into the Regional Sewerage System for the purpose of transmission, treatment and disposal thereof; subject to the right of first purchase by any Contracting Agency, the use of all treated effluent from the Regional Sewerage System shall be within the sole discretion of CBMWD. If any Contracting Agency exercises its right of first purchase of treated effluent, then such agency shall have the total ownership and control of all treated effluent delivered to it and the use thereof shall be within the sole discretion of that agency.

B. Right of Purchase of Treated or Reclaimed Effluent

Each Contracting Agency, at its option, shall have the right of first purchase of treated or reclaimed effluent under either of the following two alternatives:

1. Each Contracting Agency shall have the right of first purchase of treated effluent, as provided in Section 16 hereof; or

2. Upon written request by any Contracting Agency, CBMWD shall enter into an agreement, substantially similar to Exhibit G, attached hereto and made a part hereof, for reclamation of treated effluent and the right of first purchase of reclaimed effluent. Upon execution by a Contracting Agency of such an agreement and upon the availability to the Contracting Agency of reclaimed effluent pursuant thereto, all or any portion of the disposal costs of the Regional Sewerage System attributable to the disposal of the treated effluent of the Contracting Agency and to the disposal of reclaimed effluent by CBMWD downstream from any CBMWD reclamation facility or facilities reclaiming the treated effluent of the Contracting Agency shall be excluded from the service charge of the Contracting Agency as determined under Sections 17 and 18 hereof, and shall be financed by CBMWD from sources other than service charges, Improvement District "C" tax revenues and Supplemental Capital Outlay Funds. (Amended April 12, 1984).

Section 16. SALE, BENEFICIAL USE OR DISPOSAL OF TREATED EFFLUENT

A. Purchase of Treated Effluent from CBMWD

1. Contracting Agencies: Right of Purchase

Each Contracting Agency shall have the right of first purchase from CBMWD of treated effluent in a total quantity not

exceeding the base entitlement of the Contracting Agency.

2. Base Entitlement of Contracting Agencies

The total base supply of effluent which is subject to the right of first purchase from CBMWD by the Contracting Agencies receiving sewerage service at any Regional Treatment Plant shall be the total quantity of sewage delivered into the Regional Sewerage System by all such Contracting Agencies, measured at the intake point of the Regional Treatment Plant, less normal processing losses resulting from the treatment of sewage. Sewage exported from the Chino Basin by CBMWD pursuant to Section 8 hereof shall not be part of the total base supply.

Each Contracting Agency, including any Contracting Agency whose sewage is exported pursuant to Section 8 hereof, shall have a base entitlement to a portion of the total base supply of effluent, said portion being in the proportion that the quantity of sewage delivered into the Regional Sewerage System by the Contracting Agency bears to the total quantity of sewage delivered into the Regional Sewerage System by all Contracting Agencies.

3. Delivery Points

Unless otherwise agreed by CBMWD, the delivery point or points of any Contracting Agency exercising its rights of first purchase of treated effluent shall be the discharge point or points of each Regional Treatment Plant or any disposal facility of CBMWD which provides further treatment and disposal of wastewater from any Regional Treatment Plant.

4. Exercise of Base Entitlement at Various Discharge Points

If none of the sewage collected by a Contracting Agency is exported pursuant to Section 8 hereof, the base entitlement of such agency shall be exercised as provided in paragraph a of this subpart 4. If all of the sewage collected by a Contracting Agency is exported, the base entitlement of such agency shall be exercised as provided in paragraph b of this subpart E. If only a portion of the sewage collected by a Contracting Agency is exported, the portion of the base entitlement of such agency represented by nonexported sewage shall be exercised as provided in said paragraph a and the portion represented by exported sewage shall be exercised as provided in said paragraph b.

The base entitlement of each Contracting Agency shall be exercised in quantities and at delivery points determined as follows:

a. If the sewage collected by a Contracting Agency ("agency sewage") is treated:

(1) At a single Regional Treatment Plant, the total base entitlement of such agency shall be exercised from treated effluent discharge from that plant or any disposal facility of CBMWD providing further treatment and disposal of wastewater from that plant.

(2) At two or more Regional Treatment Plants, the base entitlement of such agency shall be exercised from each such plant in the proportion that the total sewage of the particular agency which is treated at that plant bears to the total sewage of all agencies whose sewage is treated at that plant or any disposal facility of CBMWD providing further treatment and disposal of wastewater from that plant.

b. If all of the sewage collected by a Contracting Agency is exported, the base entitlement of such agency shall be exercised from a pro rata share of treated effluent discharged from each of the Regional Treatment Plants, computed as follows:

(1) Based upon the preceding fiscal year, a determination of the ratio of the total quantity of all agency sewage treated by each Regional Treatment Plant to the total quantity of all agency sewage treated by all such plants or all such plants and any disposal facility of CBMWD providing further treatment and disposal of wastewater from any such plant.

(2) The pro rata share of an exporting agency for each Regional Treatment Plant shall be determined by multiplying the ratio for that plant, computed under (1) above, by the base entitlement of such agency.

5. Delivery Facilities and Costs of Delivery of Treated Effluent

Delivery facilities shall consist of any facilities for the delivery of treated effluent from the point of discharge of any Regional Treatment Plant to the point of use of the effluent. This contract and the service charge provided herein shall not apply to any such delivery facilities or to the financing thereof. CBMWD or any Contracting Agency may, at its own expense, acquire, construct, or make a contribution toward the financing of capital costs and maintenance and operation of any delivery facilities. CBMWD, or any Contracting Agency or Agencies or any combination thereof, may provide for delivery facilities by contract entered into between or among themselves or with any other person or public or private entity.

6. Price for Purchase of Treated Effluent

Any Contracting Agency exercising the right of first purchase of treated effluent shall be entitled to take delivery thereof at no cost, except for the costs of delivery, if any, of CBMWD.

7. Use of Purchased Treated Effluent

Any Contracting Agency exercising its right of first purchase of treated effluent may make any lawful use thereof, including beneficial use, sale, or other disposal and shall be entitled to retain all revenues received by it as a result thereof.

8. Contract for Joint Exercise or Transfer of Rights of First Purchase

Subject to the rights of CBMWD hereunder, any or all of the Contracting Agencies may be contract provided for the joint exercise of any of their respective rights of first purchase of treated effluent or for the sale, exchange or transfer of such rights. Certified copies of all such contracts shall be filed with CBMWD by the parties thereto.

B. Disposition by CBMWD of Unclaimed Treated Effluent

To the extent that any of the Contracting Agencies fail to exercise their respective rights of first purchase of treated effluent, CBMWD may make any lawful use of such effluent, including beneficial use, sale or other disposition inside or outside the Chino Basin; provided, that:

1. CBMWD shall not, for a consideration, sell or otherwise dispose of any treated effluent for beneficial use inside the Chino Basin without review and approval by a majority of the Contracting Agencies; and

2. If CBMWD, for a consideration, sells or otherwise disposes of any treated effluent for beneficial use inside or outside the Chino Basin, any portion of the consideration in excess of CBMWD's net audited costs of reclamation and delivery shall be apportioned and credited:

a. 85% to the Regional Sewerage System Maintenance and Operation Fund, and

b. 15% to the Regional Wastewater Capital Improvement Fund.

C. Measurement of Treated Effluent

CBMWD shall install, maintain, and operate measuring devices and equipment for the measurement of deliveries of treated effluent to the Contracting Agencies at a location or locations mutually agreed upon by CBMWD and the Contracting Agencies. The measuring devices and equipment shall be examined, tested and serviced regularly to insure their accuracy. At any time, CBMWD or any Contracting Agency may inspect any measuring devices and equipment and all records and measurements taken therefrom.

D. Notice of Proposed Delivery

Prior to the commencement of each fiscal year, notice of the delivery of treated effluent shall be given as follows:

1. Request by CBMWD

Between the first day of January and the first day of March of each year, CBMWD shall request each Contracting Agency to provide CBMWD with a schedule of the estimated flow and quantity of treated effluent to be delivered to each person or agency during the next fiscal year and the proposed points of delivery. The rates of flow and quantity shall not exceed the delivery capability of the facilities then in operation.

2. Response by Contracting Agencies

Within 30 days of the date of each such request by CBMWD, each Contracting Agency shall provide CBMWD with the schedule requested pursuant to subpart 1 above; provided that if a Contracting Agency does not intend to exercise its right of first purchase, it need not respond in any manner to CBMWD.

3. Allocation of Treated Effluent

On or before the first day of May of each year, CBMWD shall allocate treated effluent to the Contracting Agencies that have submitted schedules pursuant to subpart 2 above.

4. Additional Allocation of Treated Effluent

At any time during the fiscal year and upon 60 days written notice to CBMWD, a Contracting Agency may apply for the delivery of any treated effluent then available at a rate of flow or quantity greater than that allocated pursuant to subpart 3 above. However, the rates of flow and quantity shall not exceed the delivery capability of the treatment facilities then in operation. (Amended April 12, 1984)

Section 17. SERVICE CHARGES FOR MAINTENANCE AND OPERATION OF THE REGIONAL SEWER SYSTEM

All Contracting Agencies shall pay service charges for all sewage delivered to the Regional Sewerage System. Each Contracting Agencies shall pay its pro rata share of all net audited costs incurred by CBMWD in the maintenance and operations of the system. Net audited costs consist of:

A. Costs of maintenance and operation of all transmission and treatment facilities comprising the Regional Sewerage System and all disposal facilities required for the disposition of any treated effluent discharged from that system; and

B. Any other costs reasonably related to the maintenance and operation of the system; and

C. Based upon generally accepted engineering and accounting principles, reasonable reserves for the estimated costs and expenses of:

1. Replacement of any facilities where the costs and expenses of replacement are customarily considered a part of the costs and expenses of extraordinary maintenance which adds to the normal service life of facilities; and

2. Unforeseen contingencies; and

D. Actual costs and expenses incurred by CBMWD for the transmission, treatment and disposal of any sewage delivered by a Contracting Agency through Nonreclaimable Waste Disposal System of CBMWD as provided for in Section 8 hereof.

(Amended April 12, 1984)

Section 18. SERVICE CHARGE RATE

Concurrently with adoption of the Regional Sewerage System budget, the Board of Directors of CBMWD shall fix the service charge rate for the fiscal year. The rate shall be expressed in dollars and cents for each Equivalent Dwelling Unit (EDU) of sewage and shall be computed by subtracting from the

total estimated maintenance and operation expenses of the Regional Sewerage System the amount of any estimated revenues from the sale of effluent or sludge or other such offsetting revenues, and dividing the difference by the total estimated EDU's of sewage to be delivered into the system, all as set forth in the Regional Sewerage System budget adopted for the fiscal year. The estimated EDU's of sewage delivered into the Regional Sewerage System shall be determined based on a standard daily measurement or contribution of sewage per EDU agreed to from time to time by CBMWD and the Regional Technical Committee.
(Amended April 12, 1984)

Section 19. REGIONAL SEWERAGE SYSTEM BUDGETS

A. Fiscal Year Budgets

For each fiscal year the Board of Directors of CBMWD shall cause to be prepared and shall adopt a Regional Sewerage System budget.

B. Form and Content of Budgets

The budget for each fiscal year shall contain a plan of financial operations for the Regional Sewerage System for the fiscal year and shall contain an estimate of the requirements for expenditures, including provisions for any reserves, and the means of financing such requirements. The budget shall be itemized and shall show in reasonable detail the nature and purpose of each item of revenue and expense and the actual or estimated amount thereof. The budget shall be in two parts. One part shall consist of a plan of financial operations for the

capital costs of the acquisition and construction of the Regional Sewerage System, and the other part shall consist of a plan of financial operation for the maintenance and operation of the system, prepared as follows:

1. Capital Improvement Fund Budget

The part covering the costs of the acquisition and construction of the Regional Sewerage System shall show:

a. The various items and amounts of capital costs and the total thereof;

b. The total amount in the Regional Wastewater Capital Improvement Fund and the available and unencumbered balance of such fund as of the commencement of the fiscal year and an estimate of the amount therein and the unencumbered balance thereof as of the end of the fiscal year;

c. The amounts, if any, of CBMWD revenues from sources other than Improvement District "C" property taxes which are or will be available for payment of capital costs and the total thereof;

d. The estimated amount of Improvement District "C" property taxes to be received during the fiscal year;

e. The projected amount of Supplemental Capital Outlay Fund contributions required from each Contracting Agency during the fiscal year and the total thereof.

2. Maintenance and Operations Fund Budget

The part covering the maintenance and operation of the Regional Sewerage System shall show:

- a. The various items and amounts of maintenance and operation expenses and the total thereof;
- b. The total amount in any reserves theretofore established, and the available and unencumbered balance in such reserves as of the commencement and end of the fiscal year;
- c. The amount of service charges payable by each Contracting Agency and the total paid or payable by all Contracting Agencies;
- d. The amounts, if any, of revenue from sources other than services charges which will be available for payment of maintenance and operation expenses and the total thereof;
- e. The total amount required to be raised from service charges for payment of maintenance and operations expenses;
- f. The quantity of sewage to be delivered by each Contracting Agency during the fiscal year and the total thereof;
- g. The rate of the service charge for the fiscal year;
- h. The amount of any surplus of service charges received by CBMWD during the fiscal year preceding the fiscal year the fiscal year then in progress in excess of the cost of maintenance and operation of the Regional Sewerage System for that year which was transferred to the Regional Sewerage System Operation and Maintenance Fund reserve for replacement of Regional Sewerage System facilities as a result of the annual audit for such preceding fiscal year, or the amount, if any, of

any shortage in the amount of service charges received by CBMWD during such preceding fiscal year less than the cost of maintenance and operation of the Regional Sewerage System for that year which was transferred from said reserve during the year then in progress as a result of the annual audit for such preceding fiscal year;

i. The proportionate amount of any such shortage which will be added to the total service charge of each Contracting Agency for the fiscal year next succeeding the fiscal year then in progress.

C. Comparative Data

For comparative purposes, the amounts and rates set forth in budgets shall be shown as follows:

1. On an actual basis for the second fiscal year preceding that to which the budget is to apply;
2. On an estimated or actual basis for the first fiscal year preceding that to which the budget is to apply;
3. On an estimated basis for the fiscal year to which such budget is to apply;

D. Preparation and Approval of Proposed Budgets

Not later than April 1 of each year, the Board of Directors of CBMWD shall direct its General Manager, or such other person or persons as the Board may designate, to prepare and submit to the Board a proposed budget for the next fiscal year. Upon submission of the proposed budget, the Board of Directors may make changes therein and, not

later than May 1 of each year, shall adopt a resolution declaring its intention to adopt the proposed budget and specifying a time, not earlier than June 1 nor later than June 30, and a place at which the Board of Directors will hold a hearing on the question of the adoption of such budget.

E. Notice and Hearing on Proposed Budget

Immediately after adoption of the resolution of intention, the secretary of CBMWD shall mail a copy of the resolution and the proposed budget to each Contracting Agency and to each member of the Regional Policy Committee. The Regional Policy Committee shall review the proposed budget and, not later than 10 days preceding the date fixed for hearing, shall submit its written report and recommendation thereon to the General Manager of CBMWD and to each Contracting Agency.

At the hearing on the proposed budget, the Board of Directors of CBMWD shall consider the report and recommendations of the Regional Policy Committee and the comments of all interested persons. At any time prior to the adoption of the budget, the Board may make such changes in the proposed budget as it deems advisable.

F. Adoption of Budget and Determination of the Service Charge Rate

Not later than June 30 of each year, the Board of Directors of CMBWD shall by resolution adopt the budget and determine the rate of service charge for the fiscal

year. The several amounts of proposed expenditures specified in the adopted budget shall be deemed appropriated for the fiscal year and for the purposes specified in the budget and the Board of Directors of CBMWD shall be authorized to make expenditures and incur obligations in accordance therewith. The Board of Directors shall alter or adopt the budget in accordance with the report and recommendations of the Regional Policy Committee, unless the Board of Directors, based on specific findings in said resolution, determines that such alteration or adoption impairs CBMWD's ability to operate the Regional Sewerage System. Such resolution shall set forth findings in support of the determinations of the Board of Directors.

If the Board of Directors fails to adopt a budget by June 30 of any fiscal year then, until such time as the Board shall adopt such budget, the budget last adopted and the service charge rate determined therein shall constitute the budget and rate for such fiscal year.

G. Capital Improvement Projects

The several amounts of proposed expenditures specified in the adopted budget for any fiscal year for capital improvements shall be deemed appropriated for the fiscal year and for the projects specified in the budget and the Board of Directors shall be authorized to make expenditures and incur obligations in accordance therewith. In the event that subsequent County Auditor estimates of Improvement District "C"

property tax revenues are received which adversely impact the funding of budgeted capital improvement projects, CBMWD shall initiate a budget review through the Regional Policy Committee and amend the budget as necessary. If the Board of Directors fails to adopt a budget by June 30 of any fiscal year then, until such time as the Board shall adopt such budget, funds necessary to complete capital acquisition and improvement projects initiated as a result of the last approved budget shall be considered appropriate and work in progress continued. No new capital improvement projects shall be initiated prior to adoption of the budget. However, the Contracting' Agencies shall continue to be obligated to make Supplemental Capital Outlay Fund payments to CBMWD pursuant to subpart 5 of part E of Section 9 hereof.

H. Adoption of Separate Budgets

Notwithstanding the preceding provisions of this section, the Board of Directors of CBMWD may elect for any fiscal year to separately prepare and adopt a Capital Improvement Fund Budget and a Maintenance and Operation Fund Budget. If said Board elects to so proceed, each such separate budget shall be prepared in accordance with the provisions of this section which are applicable thereto. Both said budgets shall be processed and adopted in accordance with the procedures and pursuant to the time schedule set forth in parts D, E and F of this section. (Amended April 12, 1984)

Section 20. BILLING AND PAYMENT OF SERVICE CHARGES

A. Monthly Statements of Service Charges

Not later than 15 days after the end of each month, CBMWD shall mail a statement of service charges to each Contracting Agency, setting forth the quantity and Equivalent Dwelling Units of sewage delivered during such month from the Contracting Agency's Community Sewer System into the Regional Sewerage System and the total thereof, the service charge rate applicable thereto and the total service charge due and payable to CBMWD for said month. Monthly service charges shall be based on the service charge rate fixed in the Regional Sewerage System budget for the fiscal year then in progress. The Equivalent Dwelling Units (EDU) of sewage delivered by the Contracting Agencies shall be determined based on a standard daily measurement or contribution of sewage per EDU agreed to from time to time by CBMWD and the Regional Technical Committee.

B. Payment of Statements; Interest on Overdue Payments

Each Contracting Agency shall pay the amount of the service charge set forth in any statement on or prior to its due date, namely, the forty-fifth day following the date of the mailing of such statement. Any such amount not paid by the due date shall accrue interest on a monthly basis from the due date at an annual rate equal to the current federal discount rate plus 2 percent.

Interest paid upon any delinquent amount shall be credited to the Regional Sewerage System Maintenance and Operation Fund unless, by reason of such delinquency, CBMWD shall have advanced the amount of the delinquency from other sources, in which case, the interest shall be credited to such fund as the Board Of Directors of CBMWD may designate.

A Contracting Agency shall not be entitled to withhold payment, in whole or in part, of the amount of any statement for service charges pending action pursuant to part D of this Section 20.

C. Adjustment for Net Audited Costs

If, upon completion of the CBMWD annual audit for fiscal year, it is determined that the amount received by CBMWD during such year from service charges is more or less than the cost of maintenance and operation of the Regional Sewerage System for the year, the surplus or shortage, as the case may be, shall be transferred to or made up from the Regional Sewerage System Operation and Maintenance Fund reserve for replacement of Regional Sewerage System facilities (the "Replacement Reserve"). If such an audit results in a surplus being transferred to the Replacement Reserve, an appropriate adjustment shall be made in the budget for the fiscal year next succeeding the fiscal year then in progress and the rate of the service charge for that fiscal year shall be adjusted accordingly. If such an audit results in a shortage being made up out of the Replacement Reserve, an

appropriate adjustment shall be made in the budget for the fiscal year next succeeding the fiscal year then in progress to provide for the reinstatement of the amount of the shortage, and the service charge rate for that fiscal year shall be adjusted accordingly.

D. Adjustment for Overpayment or Underpayment

Upon disagreement between any Contracting Agency and CBMWD over the amount of service charges or the discovery of an error in computation of service charges for a Contracting Agency, which is not resolved within 30 days, CBMWD shall immediately provide written notice of such disagreement or error to the Regional Technical Committee and shall request a recommendation and report from the committee. If such a written report is filed with CBMWD within 60 days of giving notice, CBMWD shall credit or debit any affected Contracting Agency's service charge account for the following month in the manner recommended by the Regional Technical Committee. If such a written report is not filed with CBMWD within 60 days of giving notice, or upon request of the Regional Technical Committee or any Contracting Agency, the Board of Directors of CBMWD shall initiate hearing procedures on said disagreement or error in accordance with Section 26A hereof. Upon the conclusion of the hearing, the Board of Directors of CBMWD shall, by resolution, make its determination on service charge adjustments, due dates and any interest due, and shall provide for the appropriate

credit to or debit of any affected Contracting Agency's service charge account for the following month.

E. Deposit of Payments in Maintenance and Operation Fund

All monies received by CBMWD in payment of service charges shall be deposited in and credited to a separate fund or account in the treasury of CBMWD, to be known as the "Regional Sewerage System Maintenance and Operation Fund." All monies in said fund and interest earned thereon shall be used and expended only for payment of maintenance and operation expenses paid or incurred by CBMWD under the provisions of this contract. (Amended April 12, 1984)

Section 21. (DELETED October 19, 1994) (See Regional Pretreatment Agreement)

Section 22. (DELETED October 19, 1994) (See Regional Pretreatment Agreement)

Section 23. GRANTS AND FINANCIAL ASSISTANCE

CBMWD and the Contracting Agencies shall exercise their best efforts to obtain the maximum amounts of grants and other financial assistance which may be available from any federal, state, local, or other source for defraying all or any part of the capital costs and the maintenance and operation expenses of the Regional Sewerage System. The General Manager of CBMWD, the Regional Policy Committee, and the Regional Technical Committee shall keep each other fully informed of any available grant or financial assistance programs known to any of them.

Prior to undertaking negotiations for a grant or

other financial assistance affecting the Regional Sewerage System, CBMWD shall give the Regional Policy Committee written notice of its intention to do so. Thereupon the committee may designate one representative who shall be entitled to participate with CBMWD in all such negotiations. The representative shall be a person skilled in the design, construction, maintenance, and operation of sewage facilities and may be a member of the Regional Technical Committee. The representative shall keep the Regional Policy Committee and the Regional Technical Committee fully informed concerning the status of the negotiations and the nature and contents ,of any proposed final application or agreement for grant or other financial assistance.

In addition, CBMWD shall annually submit a report to the Regional Policy Committee on any pending or proposed applications for grants or other financial assistance. Such report shall accompany each proposed annual budget and be mailed in the manner provided in part E of Section 19 hereof.

Each Contracting Agency shall be jointly responsible with CBMWD for all conditions, restrictions, or limitations imposed by any agency as a condition for extending a grant or other financial assistance. Any such agency, CBMWD, or any Contracting Agency may restrain any violation of such conditions, restrictions, or limitations by mandamus, injunction or other appropriate remedy.

CBMWD's costs for the acquisition, construction,

maintenance, or operation of the Regional Sewerage System shall be reduced by amounts of any grants or other financial assistance received therefor by CBMWD from the federal or state government. (Amended April 12, 1984)

Section 24. REGIONAL POLICY COMMITTEE

The parties desire to provide for a Regional Policy Committee to advise CBMWD of the needs and views of the Contracting Agencies concerning CBMWD's policies and activities in the financing, acquisition, construction, maintenance and operation of the Regional Sewerage System, to make reports and recommendations with respect thereto, and to fully inform the Contracting Agencies concerning such policies and activities.

Each Contracting Agency shall appoint one regular member and one alternate member to the Regional Policy Committee. Both such members shall be members of the Contracting Agency's governing body. The regular and alternate members so appointed shall serve at the pleasure of the appointing agency. Each Contracting Agency shall give the secretary of CBMWD immediate notice of all appointments and removals made by it and of the name and mailing address of each appointee. CBMWD shall appoint one regular member and one or more alternates to the Regional Policy Committee. The members so appointed shall be members of the Board of Directors of CBMWD and shall serve at the pleasure of CBMWD. The CBMWD member shall be entitled to participate at all regular and special

meetings of the committee but shall have no vote.

Each regular member of the Regional Policy Committee or his alternate, except the member or alternate appointed by CBMWD, shall have one vote.

A majority vote shall be required to carry any matter before the committee. A majority shall consist of members representing a majority of the Contracting Agencies, not including the State of California.

The committee shall hold a regular meeting on or before the second Thursday of every other month and shall meet in special meeting at the call of any member or at the call of CBMWD. The committee may adopt such procedures and rules as it deems advisable concerning its officers, meetings and the manner and method of making its reviews, reports and recommendations on any matter affecting the acquisition, construction, maintenance and operation of the Regional Sewerage System.

CBMWD shall, if requested by the committee, provide the committee with a meeting place and with the services, advice and assistance of members of its staff. All records, reports and other information of CBMWD pertaining to the financing, acquisition, construction, maintenance and operation of the Regional Sewerage System shall be available for inspection by members of the committee. CBMWD agrees to maintain and make available to the committee accurate records of all of its costs, disbursements and receipts with respect to activities under this contract. (Amended April 12, 1984)

Section 25. REGIONAL TECHNICAL COMMITTEE

The parties desire to provide for a Regional Technical Committee. The members and alternate members of the Regional Technical Committee shall be appointed, vote and be governed in the same manner provided in Section 24 hereof for the Regional Policy Committee, except that the members and alternates shall be officers or employees of the Contracting Agencies, or other persons knowledgeable in the design, construction, maintenance and operation of sewage facilities, and that CBMWD shall be entitled to appoint one member and one alternate member with the same right of participation and voting as other members. The committee shall hold a regular bimonthly meeting and shall meet in special meeting at the call of any member.

The committee may, and upon request by the Regional Policy Committee or CBMWD shall, review and make recommendations concerning any of the following technical matters: the acquisition, design, construction, maintenance, operation, or financing of sewer facilities, sewage treatment, reclamation, or disposal facilities, sewage and effluent measuring devices and equipment, Community Sewer Systems and the Regional Sewerage System; sewer user charges; service charges; quality standards for sewage and any effluent; and any other technical matter related to any of the foregoing. (Amended April 12, 1984)

Section 26. INSPECTION OF FACILITIES

Any authorized officer or employee of CBMWD may enter and inspect any part of the Community Sewer System of any Contracting Agency or any member of the Regional Policy Committee or Regional Technical Committee may enter and inspect any part of the Regional Sewerage System. Except during emergencies, such inspections shall be made during normal working hours on regular business days and upon the giving of not less than 24 hours prior notice of the inspection. Any inspecting officer, employee or member of the Regional Policy Committee or Regional Technical Committee shall bear proper credentials of authority and identification. The right of entry and inspection shall be limited to public streets, easements and property within which the systems shall be located. The rights of inspection shall include observation, measurement, sampling and testing. (Amended April 12, 1984)

Section 26A. HEARINGS

The provisions of this section and the procedures herein set forth shall apply to all hearings to be conducted by the Board of Directors of CBMWD with respect to determinations, reports and recommendations of the Regional Policy Committee and protests and complaints of Contracting Agencies with respect to determinations of said committee and CBMWD.

A. Notice of Hearings

The secretary of CBMWD shall give notice of hearings by publication, posting and mailing as specified below:

1. Publication. Notice of hearings shall be published pursuant to Section 6066 of the Government Code in one or more newspapers of general circulation within CBMWD. Publication of notice shall be commenced at least 15 days prior to the date specified therein for hearing.

2. Posting. Notice of hearing shall be posted on or near the door of the meeting room of the Board of Directors of CBMWD. Posted notice shall be commenced at least 15 days prior to the date specified therein for hearing and shall continue to the time of the hearing.

3. Mailing. Mailed notice shall be given to all members of the Regional Policy Committee and to all Contracting Agencies and to all other persons requesting such notice in writing. Mailed notice shall be sent by first class mail and shall be deemed to have given when so deposited in the United States mail postage prepaid.

B. Hearing

Hearings shall be held upon the date and at the time specified in the notice and may be continued from time to time, but not to exceed 60 days from the date specified in the notice. At each hearing, prior to consideration of any protests, objections or evidence, the Board of Directors of CBMWD shall cause to be read aloud or summarized any reports and recommendation made by the Regional Policy Committee and, in the case of annexations, the Local Agency Formation Commission. Thereafter, the Board of Directors of CBMWD shall hear and

receive all oral and written protests, objections and evidence which may be made, presented or filed by any Contracting Agency or any interested person. Any Contracting Agency or person who shall have filed a protest may withdraw the same at any time prior to the conclusion of the hearing.

C. Hearing Resolution

Not later than 30 days after the conclusion of the hearing, the Board of Directors of CBMWD shall by resolution make its determination on the matter being considered. Such resolution shall contain findings in support of the determination and shall be deemed a final administrative action. A certified copy of each such resolution adopted by the Board of Directors of CBMWD shall be mailed by the secretary of CBMWD in the manner provided for in subpart 3 of part A of this section to each Contracting Agency and person who presented or filed a protest, objection or evidence at the hearing within 15 days of the date of the adoption of the resolution. Any Contracting Agency may challenge any such resolution and determination by administrative mandamus, injunctive or other appropriate action or proceeding. (Added April 12, 1984)

Section 27. EFFECTIVE DATE OF CONTRACT

This contract between CBMWD and the undersigned Contracting Agency shall become effective after the occurrence of all of the following events:

- (1) The authorization and execution of this contract by CBMWD and the undersigned Contracting Agency.

(2) The acquisition or construction by CBMWD of facilities for the Regional Sewerage System adequate to provide for the transmission, treatment, and disposal of all sewage then collected by the Community Sewer System of the undersigned Contracting Agency.

(3) The initiation and conduct of proceedings for and the completion of the formation of Improvement District "C" (either with or without elections, as provided by law) in substantial conformity with resolution of intention, Exhibit "C" hereof, and with boundaries substantially identical to those specified in Paragraph B of Section 9 hereof.

(4) The adoption by the Board of Directors of CBMWD of a capital outlay ordinance, substantially in the form set forth in Exhibit "B" hereof.

Not later than 15 days following the occurrence of the last such event, CBMWD shall give written notice thereof to the undersigned Contracting Agency. The notice shall specify a date, as determined by CBMWD, which shall be the effective date of this contract. The effective date shall be the first day of any calendar month occurring not sooner than one month nor later than one year after the date of giving the written notice.

Section 28. TERM OF CONTRACT

The term of this contract and any other Service Contract entered into between CBMWD and any sewage collection agency, shall be 50 years from the earliest effective date specified, in the original Service Contract between CBMWD and

any Contracting Agency, said date being January 2, 1973. It is the intent of the parties that all Service Contracts providing for the services and facilities of the Regional Sewerage System shall have the same termination date, without regard to the effective dates of the individual contracts.

In order to provide for a periodic review and update, as necessary, of the provisions of this contract, CBMWD and the Contracting Agencies agree to enter good faith discussions at intervals not exceeding five years or at the request of the majority of the Contracting Agencies. (Amended April 12, 1984)

Section 29. RENEWAL; OPTION FOR CONTINUED SERVICE

No later than two years prior to the end of the term of this contract or any earlier termination or extension of this contract, the parties shall negotiate for the extension or renewal of this contract upon comparable terms and conditions. If the parties have been unable to agree thereon, then any Contracting Agency, by written notice given to CBMWD at least 12 months prior to the expiration of said term, may elect to receive continued service after the expiration of said term upon the following conditions:

A. If, by reason of continued service, no expansion is required in any facilities of the Regional Sewerage System in existence upon the expiration of the term of this contract, the Contracting Agency may deliver sewage into the system in any quantity and at any flow rates. If, by reason of continued service, such expansion shall be required, the annual quantity

and flow rates of sewage to be delivered into the Regional Sewerage System by the Contracting Agency shall not exceed the quantity and flow rates delivered by the agency during the last full fiscal year preceding the expiration of said term.

B. The service charge rate shall be determined as provided in Section 18 hereof.

C. The sewage quality standards shall be in accordance with those in effect during the last full fiscal year preceding the expiration of said term or any higher standards prescribed by any federal, state or regional agency authorized by law to prescribe quality standards for effluent discharges.

D. CBMWD shall maintain and operate the Regional Sewerage System under substantially the same physical conditions of service as prevailed during the last fiscal year preceding the expiration of said term.

Other terms and conditions of continued service shall be reasonable and equitable and shall be mutually agreed upon and, if they provide for continued service for a specified number of years, a Contracting Agency shall have the option to receive further continued service upon the expiration of that and each succeeding period of continued service. (Amended April 12, 1984)

Section 30. AUTHORIZATION AND EXECUTION OF SEWAGE SERVICE AND ACQUISITION CONTRACTS

A. Authorization of Any Sewage Collection Agency

All proposed contracts between CBMWD and any sewage collection agency for the purpose of (i) providing the agency

with the services and facilities of the Regional Sewerage System under a Service Contract, (ii) the acquisition by CBMWD of any existing sewage treatment and disposal plant or interceptor sewer, or (iii) both (i) and (ii), shall be authorized for execution by CBMWD. The agency shall furnish CBMWD with a certified copy of the resolution authorizing execution by the agency, together with a certified copy of the proposed contract referred to therein. The resolution shall contain all restrictions, limitations, and conditions, if any, which may have been imposed on the execution of the contract.

B. Amendment of Any Existing Contract; New Contracts with Subsequent Contracting Agencies

If CBMWD proposes (i) to amend or rescind any existing Service Contract with a Contracting Agency or (ii) to enter a new Service Contract or a contract for the transfer of any existing sewage facilities to CBMWD, as part of the Regional Sewerage System, the Board of Directors of CBMWD shall adopt a resolution declaring its intention to do so and shall specify a time, not sooner than 60 days after the adoption of the resolution, and a place at which the Board will hold a hearing on the question of the proposed amendment, rescission or new contract, as the case may be. Immediately thereafter the secretary of CBMWD shall mail a copy of the resolution, together with a copy of the proposed amendment, rescission or new contract to the clerk or secretary of each Contracting Agency and to each member of the Regional Policy Committee. The

Regional Policy Committee shall review the proposal and, not later than 10 days preceding the date of the hearing, shall submit its written report and recommendation thereon to the general manager of CBMWD and to each Contracting Agency.

At the hearing on the proposal, the Board shall consider the report and recommendation of the Regional Policy Committee and shall hear representatives of any Contracting Agency, members of the committee, and any other interested persons. The Board may modify the proposal and, upon the conclusion of the hearing, order the authorization for execution by CBMWD of the proposed amendment, rescission, or new contract, as the case may be. (Amended April 12, 1984)

Section 31. NOTICE

Notices authorized or required to be given by any provision of this contract shall be deemed to have been given upon delivery, if delivered personally, or upon deposit in the mails, if enclosed in a properly addressed envelope and deposited in the United States mails for delivery by registered or certified mail.

Notice shall be given to the parties by delivery or mailing to the following officers of the parties at the following addresses:

CBMWD Secretary, Chino Basin Municipal
Water District
8555 Archibald Avenue
Rancho Cucamonga, California

Undersigned Contracting Agency:

At any time a party may give written notice to the other party of a change in the designated officer or address.

Notice to members of the Regional Policy Committee or the Regional Technical Committee shall be given to the persons and at the addresses designated in the notices of appointment filed with the Secretary of CBMWD.

Section 32. PARTIAL INVALIDITY

The invalidity of any provision of this contract shall not affect the validity of the remainder thereof which can be given effect without such invalid provision.

Date of Execution

CHINO BASIN MUNICIPAL WATER DISTRICT

November 28, 1994

By: Bill Hueb
President of the Board of Directors

ATTEST:

John L. Anderson
Secretary of the Board of Directors

Date of Execution

CITY OF CHINO

12/25/94

By: Laurice M. Allen
Mayor

ATTEST:

A. Blom
City Clerk

Date of Execution

CITY OF CHINO HILLS

October 31, 1994

By: *Ray Baran*
Mayor

ATTEST:

Linda D. Keith
City Clerk (Sept. 27, 1994)

Date of Execution

CUCAMONGA COUNTY WATER DISTRICT

November 18, 1994

By: *James M. Wilson*
President of the Board of
Directors

ATTEST:

W. H. Heuberg
Secretary of the Board of
Directors

Date of Execution

CITY OF FONTANA

By: _____
Mayor

ATTEST:

City Clerk

Date of Execution

CITY OF CHINO HILLS

By: _____
Mayor

ATTEST:

City Clerk

Date of Execution

CUCAMONGA COUNTY WATER DISTRICT

By: _____
President of the Board of
Directors

ATTEST:

Secretary of the Board of
Directors

Date of Execution

CITY OF FONTANA

November 15, 1994

By: Sam E. Boyle
Mayor

ATTEST: -

Linda S. Nunn
Linda S. Nunn, CMC
Deputy City Clerk

Date of Execution

October 24, 1994

CITY OF MONTCLAIR

By: *[Signature]*

Mayor

ATTEST:

Margaret A. Crawford
City Clerk

Date of Execution

October 25, 1994

CITY OF ONTARIO

By: *[Signature]*

Mayor

ATTEST:

[Signature]
City Clerk



Date of Execution

October 27, 1994

CITY OF UPLAND

By: *[Signature]*

Mayor

ATTEST:

[Signature]
City Clerk