

JOINT DRY-YEAR YIELD PROJECT AGREEMENT

This Agreement is entered into between the City of Chino Hills (City), Monte Vista Water District (District) and Inland Empire Utilities Agency (Agency) effective this 18th day of December, 2007.

RECITALS

1. City and Agency entered into a Local Agency Agreement dated as of July 1, 2003, under the provisions of which Agency administered a local assistance grant of Proposition 13 (Prop 13) funds in the amount of \$1,338,938 to City. Pursuant to the Agreement City promised to utilize such funds for the purpose of constructing, operating and maintaining specified Local Agency Facilities to enhance a groundwater storage program in the Chino Basin. Agency and the Metropolitan Water District (MWD) previously entered into an agreement under which Agency would administer \$9 million of the Prop 13 funds MWD received as a grant from the California Department of Water Resources and \$18.5 million of other funds administered by MWD. In its Agency-City Agreement City agreed to perform Agency's duties under the MWD-Agency Agreement.
2. District and Agency entered into a Local Agency Agreement dated as of April 17, 2003, under the provisions of which Agency administered a local assistance grant of Proposition 13 (Prop 13) funds in the amount of \$3,000,781 to District. Pursuant to the Agreement District promised to utilize such funds for the purpose of constructing, operating and maintaining specified Local Agency Facilities to enhance a groundwater storage program in the Chino Basin. Agency and the Metropolitan Water District (MWD) previously entered into an agreement under which Agency would administer \$9 million of the Prop 13 funds MWD received as a grant from the California Department of Water Resources and \$18.5 million of other funds administered by MWD. In its Agency-District Agreement District agreed to perform Agency's duties under the MWD-Agency Agreement.
3. The City, and in reliance upon the use of grant funds, undertook to improve its Pellisier Well in an effort to increase both production capacity and water quality. These facilities are listed on Exhibit A of the Local Agency Agreement between City and Agency. The Pellisier Well ultimately did not produce a sufficient yield at acceptable water quality to merit further development for the purpose of meeting City obligations under the Local Agency Agreement. After allocating a portion of the grant funds to the above-described failed project there remains a balance of grant funds in the amount of \$630,115. City does not deem such an amount to be adequate to construct another qualified Local Agency Facility.
4. Both City and District are groundwater producers within the Chino Groundwater Basin. Pursuant to an *Agreement to Supply Water* entered into between City and District dated July 14, 1998, *Amendment of "Agreement to Supply Water"* dated August 20, 2001, and an *Amendment 2 of "Agreement to Supply Water"* dated February 27, 2007, District provides wholesale water to City. Pursuant to Section 3.3 of *Amendment 2 of "Agreement to Supply Water"* City and District desire to further enter into this Agreement to enhance the water supply from the Chino

Groundwater Basin by utilizing the above-described remainder of City's grant funds together with District funds to construct additional Local Agency Facilities included in Exhibit A of the Local Agency between District and Agency. More specifically City and District wish to use City's remaining entitlement of \$630,115 to develop an Aquifer Storage and Recovery Well (ASR Well 32) at District's Plant 12 Site, located on the northeast corner of Benson Avenue and Orchard Street in the City of Ontario, California.

5. Agency has indicated its approval and agreement that City's remaining grant funds shall be used in the manner provided herein.

AGREEMENT

In consideration of the mutual promises of the parties, the parties hereto promise and agree as follows:

1. Paragraphs 1 through 4 of the Recitals above are incorporated herein as though set forth in full again.
2. City shall transfer and assign to District the remainder of its right to receive grant funds in the amount of \$630,115 for the exclusive use in the construction and equipping of District ASR Well 32. Ownership of the plant site, well and all equipment and fixtures as constructed shall at all times remain with District.
3. District shall assume City's contractual obligations incurred pursuant to the above-described Local Agency Agreement between Agency and City. Upon completion of Local Agency Facility, ASR Well 32, District shall operate such well to meet the City's contractual Dry Year Shift obligation of 1,448 acre-feet over a 12 month period as required by the Local Agency Agreement between Agency and City.
4. Agency has reviewed this Agreement and is aware of City's proposed use of the remainder of City's grant funds in the amount of \$630,115 to jointly construct and equip ASR Well 32 with District. Agency consents to the immediate assignment of City's right to reimbursement of such grant funds to District and agrees to the substitution of District for City's obligations under its Local Agency Agreement with Agency. Agency shall reimburse District for expenses it has incurred for ASR Well 32 in the amount of \$630,115. Nothing herein shall be construed to alter or impair the rights of Agency arising out of its Local Agency Agreements with City and with District.

Date: _____

INLAND EMPIRE UTILITIES AGENCY

By: _____

Date: 1/22/08

CITY OF CHINO HILLS

By: Doug La Belle

Doug La Belle

City Manager

Date: 1/11/08

MONTE VISTA WATER DISTRICT

By: Sandra Rose

Sandra Rose S. Rose

President

By: Mark N. Kinsey

Mark N. Kinsey

Secretary