

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

MEMORANDUM

DATE: SEPTEMBER 22, 2020

TO: BOARD OF DIRECTORS
Lake Arrowhead Community Services District

FROM: CATHERINE CERRI, General Manager

SUBJECT: APPROVE AGREEMENT WITH ARROWHEAD LAKE ASSOCIATION REGARDING PROTECTION OF BENEFICIAL USES OF LAKE ARROWHEAD

A. RECOMMENDATION

That the Board of Directors approves a new Agreement with Arrowhead Lake Association (ALA) Regarding Protection of Beneficial Uses of Lake Arrowhead (Agreement).

B. REASON FOR RECOMMENDATION

The District has a current Agreement and Memorandum of Understanding (MOU) with ALA that no longer reflects current practices and has become difficult to administer. The proposed Agreement would update the language and simplify its administration without diluting the necessity and importance of such an Agreement. This Agreement will supersede the prior Agreements and MOU.

C. BACKGROUND INFORMATION

The District and ALA entered into the original Agreement in 2005 before the State Water Resources Control Board had made a ruling regarding certain water rights disputes. Subsequently, in 2007, both parties entered into an additional Agreement and MOU which included a cost sharing plan for specific Water Shed Management Activities. Since that time, certain provisions have become unwieldy to manage due to public contracting laws and others have not kept up with inflation or true costs.

Because it is crucial and in the best interest of both parties that these Watershed Management Activities continue, a new Agreement has been negotiated in good faith. The responsibility for different activities has been clearly delineated in this new Agreement and

the cost sharing has been greatly simplified. The District will be responsible to pay 75% of the dam permit fee. This is a clear cost that does not require adherence to public contracting laws and will not have any environmental impacts. Additionally, the District will continue to pay for the Grass Valley stream gage, precipitation meters and water quality testing. ALA will continue to receive water credits for groundwater pumped by the District at Grass Valley Park. They will maintain sediment control facilities as well as the tower and outlets at their own cost and expense. They will also continue inspecting boats for invasive mussels and will dredge as necessary.

D. FISCAL IMPACT

The new cost sharing agreement has been structured to be roughly equivalent in cost to what the District has been paying to ALA under the old Agreement. The cost of the dam permit fees are regulated by specific California law. Using this calculation, the anticipated dam permit fee for 2020 is expected to be \$62,704. The District would be responsible for 75% of this fee or \$47,028. These costs may increase in the future.

E. ENVIRONMENTAL IMPACT

This is an administrative action and is not subject to the California Environmental Quality Act.

F. ATTACHMENTS

- Agreement Regarding Protection of Beneficial Uses of Lake Arrowhead (Redline)
- 2020 Agreement Regarding Protection of Beneficial Uses of Lake Arrowhead (Clean)

November 16, 2007

**AGREEMENT REGARDING PROTECTION OF BENEFICIAL USES OF LAKE
ARROWHEAD**

RECITALS

A Lake Arrowhead is an invaluable resource to the community serving both as the water supply source for the Arrowhead Woods community and as a recreational asset.

B. Several disputes have arisen over the years concerning the best way to preserve and manage Lake Arrowhead both as a water supply source and as a recreational asset.

C. The Lake Arrowhead Community Services District (LACSD) and the Arrowhead Lake Association (ALA) have a mutual interest in preserving the water quality and the water supply associated with the Lake Arrowhead Watershed.

D. Both ALA and LACSD were involved in State Water Resources Control Board ("SWRCB") Enforcement Hearing on Cease and Desist Order 262.31-18 and Administrative Civil Liability Complaint No. 262.5-40, resulting in Order WR 2006-0001. Among other things, the Order defines LACSD's pre-1914 rights to divert water from Lake Arrowhead for domestic uses.

E. In order to proceed in a cooperative manner ~~through the SWRCB Enforcement Hearing~~, ALA and LACSD entered in-to Memorandum of Understanding (MOU), dated November 5, 2005, which served as a settlement of the areas of contention between ALA and LACSD and an Agreement Regarding Protection of Beneficial Uses of Lake Arrowhead (Prior Agreement), dated November 16, 2007. A fully executed copy of this settlement agreement is attached hereto as Exhibit "1."

~~FF. Under Paragraph 5 of the MOU, ALA was required to withdraw its Notice of Intent to Appear, all written testimony, all exhibits, and any other evidence or policy statements from the SWRCB Enforcement Hearing. ALA was further required to support LACSD's position at the hearing. ALA fully performed these requirements.~~

~~G. At the conclusion of the Enforcement Hearing, the SWRCB issued Order 2006-01. Among other things, the Order defines LACSD's pre-1914 rights to divert water from Lake Arrowhead for domestic uses.~~

~~H. Under Paragraph 4 of the MOU, ALA and LACSD agreed to work together to formulate a physical solution to enable LACSD to meet its obligations under the settlement agreement.~~

I. In furtherance of the Settlement Agreements and the Parties' mutual interests, LACSD and ALA ~~also~~ desire to participate in a cost-sharing arrangement for certain ~~water quality and water supply projects~~ agreed upon costs associated with the protection and management of the Lake Arrowhead Watershed.

G. This Agreement is intended to update and supersede the MOU and Prior Agreement to reflect current conditions and reduce the administrative burden associated with those agreements. describe the terms of such a physical solution, and toward that end outlines:

- ~~• Cost sharing projects and maintenance activities~~
- ~~• Lake draw limitations~~
- ~~• Watershed management activities~~

TERMS AND CONDITIONS

Lake Arrowhead Community Services District ("LACSD") and Arrowhead Lake Association ("ALA") enter into the following Agreement ("Agreement") and agree to the following terms and conditions.

~~This agreement incorporates the MOU dated November 11, 2005, attached here as Exhibit 1. The two agreements shall be read together to best effectuate the intent and mutual goals of the parties. If such reconciliation is not possible, then the terms of the MOU shall prevail, except as provided in Paragraph 2, below, regarding withdrawal limitations and the calculation of long-term averages. Additionally, this agreement updates and supersedes the 1997 Memorandum of Understanding as well as the agreement for the irrigation at Peninsula Park.~~

Lake Arrowhead Water Rights

~~1.~~ ALA recognizes that LACSD is the owner of a valid pre-1914 right to divert water from Lake Arrowhead for consumptive purposes, and LACSD recognizes that ALA is the owner of a valid pre-1914 right to divert water to create Lake Arrowhead for recreational purposes.

Withdrawal Limitations

1. Without quantifying or otherwise limiting LACSD's pre-1914 right, and notwithstanding any right that has been or may in the future be acknowledged by the SWRCB, LACSD agrees that beginning in January 2008, LACSD will limit its diversions from the Lake to 1,566 acre-foot/year (afy) ~~on a long-term average basis. For purposes of this Agreement, "long-term average" means a rolling average over a 10-year period beginning January 1, 2008. For the first ten years, until January 1, 2018, the diversions shall be averaged over the number of years that have accrued since January 1, 2008.~~ This amount will be inclusive of all withdrawals from the Lake by LACSD, whether for domestic or irrigation purposes.

2. Interface between ALA and LACSD. ~~From time to time~~ ALA and LACSD will designate two representatives and the General Manager of each entity to meet to discuss the implementation of the Agreement.

A. The meetings shall be mutually agreed upon by the parties and shall occur at least twice a year or as agreed to by both parties.

B. Although the provisions of the Brown Act do not apply to the meetings and persons designated to attend the meetings, the time, place and agenda for such meetings shall be posted by LACSD in accordance with the requirements of the first paragraph of Government Code Section 54954.2(a). No other requirements of the Brown Act shall apply to the meetings.

C. Minutes of the meetings shall be kept and posted on both the LACSD and ALA websites. Preparation of such minutes shall be the responsibility of LACSD.

D. All recommendations from the meetings shall be advisory and shall be submitted to both the ALA and LACSD Board of Directors for any action outside this Agreement to be undertaken.

3. The persons designated to discuss implementation of the Agreement and the general public shall receive lake water withdrawal information that quantifies LACSD's withdrawals of lake water for the previous month.

4. If at any time during the year the level of the Lake reaches 5103, the Interface Committee shall ~~determine, meet~~ within 15 days of the Lake reaching such level, if a meeting is required to and shall review ~~the~~ LACSD's planned extractions of lake water (defined according to a monthly withdrawal schedule for the remainder of the year). LACSD agrees that if the level of the Lake reaches 5,103, the Interface Committee will discuss if LACSD's withdrawals shall be limited according to a mutually agreeable schedule that will take into account the month of the year ~~and whose goal will be to ensure that withdrawals for that year are limited to no more than 1,566 afy.~~ The purpose and goal of such schedule will be to make every reasonable effort to prevent the Lake level from going below 5,100.

Lake Level Maintenance

5. ALA and LACSD agree that their mutual goal is to maintain the level of the Lake above 5,100 feet (ALA datum).

6. LACSD has ~~enacted certain projects and programs in place a medium term solution (i.e., LACSD and Crestline Lake Arrowhead Water Agency agreement signed July 7, 2005)~~ designed to accomplish the ~~parties'~~ Parties' mutual goal of maintaining the level of the Lake above 5,100 feet. These include water demand reduction programs, automated meter reading systems, recycled water facilities, groundwater development and an agreement for connection to the State Water Project water. LACSD will use best efforts to pursue additional solutions that result in an integrated water portfolio. In order to accomplish this goal on a long-term basis, the parties will work together to formulate and implement a physical solution that creates a permanent and reliable source of supplemental water. ~~An Integrated Water Rescores Plan will be funded by LACSD and be developed with input from ALA and the LACSD's Customers. LACSD will further use best efforts to formulate and implement measures including the exploration and utilization of the area's groundwater to achieve the goal of maintaining the level of the Lake above 5,100 feet.~~

SWRCB Compliance

7. LACSD is responsible for compliance with SWRCB Order 2006-0001 and nothing in this Agreement will preclude the LACSD from complying with the requirements of this Order.

Future Proceedings

8. ALA agrees that if the Lake is operated and managed in the manner expressed herein, ALA will not allege injury to recreational or downstream users or environmental interests.

9. ALA agrees to support LACSD in any future proceedings in defense of the operations of Lake Arrowhead for municipal water supply purposes.

10. LACSD agrees to support ALA in any future proceedings in defense of the operations of Lake Arrowhead for recreational purposes.

11. If LACSD is in breach of this Agreement, ALA shall not be bound by any of its covenants herein concerning injury caused by LACSD's operations.

Enforcement

12. This Agreement shall be specifically enforceable in Superior Court for the County of Riverside. Specifically, the parties shall consent and submit to the jurisdiction of the Court maintaining continuing jurisdiction over the case City of Barstow, et al. vs. City of Adelanto, et al, Case No. 208568 for the purpose of administration and enforcement of this Agreement. Such submission shall be solely for the purpose of enforcement and administration of this Agreement. LACSD acknowledges that it is already subject to the jurisdiction of the Court in that case. The intent of this paragraph is not to give the Mojave Water Agency authority over this Agreement.

Watershed Management

~~13. Annual Budget Development~~

~~On or before February 1st of each year during the term of this Agreement, Management representatives of the LACSD and ALA shall jointly develop a watershed management budget (BUDGET), fully documenting the cost of watershed management, water quality and supply activities (WATERSHED MANAGEMENT ACTIVITIES) that are proposed to be performed by the LACSD and the ALA during the upcoming BUDGET year. The BUDGET year is identified in Section (14) below. WATERSHED MANAGEMENT ACTIVITIES are identified in Section (16) below. The BUDGET cost amounts for any given BUDGET year shall not exceed the maximum BUDGET cost amounts which are identified in Section (17) below.~~

~~14. Budget Year~~

~~The BUDGET year shall be the period July 1st of a given year, to June 30th of the subsequent year, which is consistent with the LACSD fiscal year.~~

~~15. Approval of the Budget by the LACSD Board of Directors and the ALA Board of Directors~~

Each year during the term of this Agreement, on or before the first day of their respective Fiscal Years, the LACSD Board of Directors and the ALA Board of Directors will each respectively and individually make a determination as to whether they approve the BUDGET for the upcoming year. The BUDGET, so approved, shall be reflected in the LACSD and the ALA'S annual budget pursuant to the normal procedures for adoption of the LACSD'S and the ALA'S annual budget.

16. Watershed Management Activities to be Included in the Budget

The LACSD and the ALA agree that certain WATERSHED MANAGEMENT ACTIVITIES are necessary to maintain the Lake Arrowhead Watershed as both a water supply and recreational water body. Such certain WATERSHED MANAGEMENT ACTIVITIES are identified in Exhibit 2 to this Agreement. These certain WATERSHED MANAGEMENT ACTIVITIES are the only activities to be included in the BUDGET. No activities other than those included in Exhibit (2) shall be included in the BUDGET unless such activities are added to Exhibit (2) by an amendment to the AGREEMENT. Exhibit (2) also sets forth the party that shall be responsible for performance of specific WATERSHED MANAGEMENT ACTIVITIES.

17. Maximum Budget Cost Amounts

The LACSD and the ALA agree that the BUDGET for WATERSHED MANAGEMENT ACTIVITIES identified in Exhibit (2) shall not be exceeded, except for a Cost of Living Increase, as identified in Section (18) below. The maximum amount for any WATERSHED MANAGEMENT ACTIVITY shall be referred to as the Maximum Budget Cost Amount for that activity. Maximum Budget Cost Amounts are identified in Exhibit (3) to this Agreement. No Maximum Budget Cost Amounts identified in the annually updated Exhibit (3) shall be exceeded in the BUDGET unless such Maximum Budget Cost Amounts is increased by an amendment to the Agreement.

18. Cost of Living Increase

During February of each year during the term of this Agreement, the Maximum Budget Cost Amounts are identified in Exhibit (3) shall be updated, based on a Cost of Living Increase. The Cost of Living Increase shall be based on the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, Percent Change for Los Angeles—Anaheim—Riverside, for the Year Ending the preceding January. Exhibit (3) shall be dated according to the month and year that it is updated in accordance with Section (17) and the updated Exhibit (3) shall replace the prior Exhibit (3).

1913. Cost Sharing by the LACSD and the ALA

LACSD agrees that certain ~~of the WATERSHED MANAGEMENT ACTIVITIES~~ costs identified in this Agreement would ~~need to be performed~~ be borne by LACSD were it to maintain the Lake Arrowhead Watershed exclusively as a potable water supply. ALA agrees that certain ~~of the WATERSHED MANAGEMENT ACTIVITIES~~ costs identified in this Agreement would need to be performed by ALA were it to maintain the Lake Arrowhead Watershed exclusively as a recreational water body. ~~The LACSD and the ALA agree to share the certain~~ costs ~~of the certain WATERSHED MANAGEMENT ACTIVITIES~~ as identified in Exhibit 1 of this Agreement equally beginning with costs incurred in Fiscal Year 2018/2019. ~~Therefore~~

LACSD and ALA shall each contribute fifty percent (50%) of the total amount of each BUDGET, except as identified in section (15), above.

20. ~~Cost Varying from the Amount Originally Budgeted—Approval of Budget Amendment by the LACSD and the ALA.~~

In the event that during any applicable BUDGET year, the anticipated costs to be incurred for the ~~WATERSHED MANAGEMENT ACTIVITIES~~ included in the BUDGET are substantially greater than the approved BUDGET, LACSD and ALA may develop an amendment to the BUDGET (BUDGET AMENDMENT). The BUDGET AMENDMENT shall be submitted to the LACSD Board of Directors and the ALA Board of Directors for approval. Any such BUDGET AMENDMENT request shall be made by either party within a reasonable period of time and in a diligent manner as soon as the applicable party makes such discovery and shall not be postponed until the end of such BUDGET year. The LACSD Board of Directors and the ALA Board of Directors shall then in good faith consider the BUDGET AMENDMENT. The BUDGET AMENDMENT shall not, however, exceed the MAXIMUM BUDGET COST AMOUNT without an amendment to the Agreement. If a party proceeds with ~~WATERSHED MANAGEMENT ACTIVITIES~~ that exceed the approved BUDGET prior to approval of a BUDGET AMENDMENT, said party understands that those costs may not be covered under this Agreement unless the BUDGET AMENDMENT is approved.

21. Payment

Each year's BUDGET shall identify costs associated with LACSD performance of certain ~~WATERSHED MAINTENANCE ACTIVITIES~~ and ALA performance of certain ~~WATERSHED MANAGEMENT ACTIVITIES~~ for that BUDGET year. The BUDGET shall further identify the total net amount due to either the LACSD or the ALA for ~~WATERSHED MANAGEMENT ACTIVITIES~~ for that BUDGET year, once the fifty percent (50%) cost sharing for all activities is calculated. By August 1st of each year the LACSD and the ALA shall each provide a full accounting of the actual costs incurred related to the BUDGET for the prior BUDGET year, and a final amount due to either the LACSD or the ALA, as appropriate, shall be determined. Such amount due shall be paid by September 1st. Should the final amount due exceed the BUDGET amount, an appropriate BUDGET AMENDMENT must be made, as identified in Section (20).

2214. Independent Projects of ~~the~~ LACSD

All construction work conducted by ~~the~~ LACSD in the performance of any ~~of the WATERSHED MANAGEMENT ACTIVITIES~~ watershed management activities identified in this Agreement shall be the sole and absolute responsibility of ~~the~~ LACSD. ~~The~~ ALA shall not be responsible for any aspect of ~~the WATERSHED MANAGEMENT ACTIVITIES~~ watershed management activities undertaken by ~~the~~ LACSD. No watershed management activity ~~WATERSHED MANAGEMENT ACTIVITY~~ performed by ~~the~~ LACSD ~~in conjunction with this Agreement~~ shall be deemed to be a joint venture between ~~the~~ LACSD and ~~the~~ ALA or deemed performed under the control, authority or direction of ~~the~~ ALA. ~~The~~ ALA shall not be deemed to be the owner of any property, have any interest in any property, nor shall ~~the~~ ALA take title to any facility or final product produced by ~~the~~ LACSD as the result of these activities.

2315. Independent Projects of ~~the~~ ALA

All construction work conducted by ~~the~~ ALA in the performance of any of the watershed management activities~~WATERSHED MANAGEMENT ACTIVITIES~~ identified in this Agreement and fully paid for with ALA funds shall be the sole and absolute responsibility of ~~the~~ ALA. ~~The~~ LACSD shall not be responsible for any aspect of the watershed management activities~~WATERSHED MANAGEMENT ACTIVITIES~~ undertaken by the ALA. No watershed management activity~~WATERSHED MANAGEMENT ACTIVITY~~ performed by ~~the~~ ALA ~~in conjunction with this Agreement~~ shall be deemed to be a joint venture between ~~the~~ LACSD and ~~the~~ ALA or deemed performed under the control, authority or direction of ~~the~~ LACSD, nor shall such work be considered a public works project. ~~The~~ LACSD shall not be deemed to be the owner of any property, have any interest in any property, nor shall LACSD take title to any facility or final product produced by ~~the~~ ALA as the result of these activities.

2416. LACSD Hold Harmless and Indemnification

~~The~~ LACSD shall assume the defense of, indemnify and hold harmless, ~~the~~ ALA and each of its directors, employees or agents from and against any and all actions, damages, claims, losses, expenses or liability arising from or related to LACSDS's acts or omissions in performing or failing to perform the watershed management activities~~WATERSHED MANAGEMENT ACTIVITIES~~ ~~which are the subject of this Agreement.~~

2517. ALA Hold Harmless and Indemnification

~~The~~ ALA shall assume the defense of, indemnity and hold harmless, ~~the~~ LACSD and each of its directors, employees or agents from and against any and all actions, damages, claims, losses, expenses or liability arising from or related to ~~the~~ ALA's acts or omissions in performing or failing to perform watershed management activities~~the WATERSHED MANAGEMENT ACTIVITIES~~ ~~which are the subject of this Agreement.~~

Additional Terms

2618. Term: The term of this Agreement shall be ~~20__~~10 years from the date of execution. At the end of the first ~~20__ year~~10-year period, and at the end of every subsequent ~~20__ year~~10-year period, the Agreement will automatically renew for an additional ~~20__ year~~10-year term unless one of the parties delivers a written intent to renegotiate the Agreement to the other party within 30 days after the expiration of the term.

2719. Amendments: The Terms and Conditions of this Agreement shall be amendable only by mutual written consent of the Boards of each of the parties.

2820. Severability: The Terms and Conditions of this Agreement shall be severable, and the invalidity for whatever reason of any specific term shall not affect any other term of the Agreement.

~~Exhibit 1~~

~~The attached Agreement was prepared by representatives of the Lake Arrowhead Community Services District (LACSD) and representatives of the Arrowhead Lake Association (ALA) and subsequently ratified by their respective Boards of Directors.~~

~~The LACSD took action to ratify the Agreement in a closed Board Meeting on Friday, November 4, 2005 and the ALA took action to ratify the Agreement on Saturday, November 5, 2005.~~

~~Affirmed this date at the offices of the Arrowhead Lake Association at 870 Highway 173, Lake Arrowhead, California 92352.~~

~~Bruce Field, President
Lake Arrowhead Community Services District~~

~~Charles C. Klein, President
Arrowhead Lake Association~~

Lake Arrowhead Community Services District ("LACSD") and Arrowhead Lake Association ("ALA") enter into the following Memorandum of Understanding ("MOU") and agree to the following terms and conditions:

1. ALA recognizes that LACSD is the owner of a valid pre-1914 right to divert water from Lake Arrowhead for consumptive purposes, and LACSD recognizes that ALA is the owner of a valid pre-1914 right to divert water to create Lake Arrowhead for recreational purposes.

2. Without quantifying or otherwise limiting LACSD's pre-1914 right. And notwithstanding any right that may be acknowledged by the SWRCB, LACSD agrees that beginning in January 2007, LACSD will limit its diversions from the Lake to 1,555 [cc-71]afy on a long-term average basis. This amount will be inclusive of all withdrawals from the Lake, whether for domestic or irrigation purposes. For purposes of this MOU, "long-term average" means a rolling average over a period of the previous ten (10) years. The amount of the "long-term average" may be adjusted upward or downward by mutual agreement of LACSD and ALA based on information that is collected and analyzed. LACSD agrees that if the level of the Lake reaches 5,103, LACSD's withdrawals shall be limited according to a mutually agreeable schedule that will take into account the month of the year and whose goal will be to ensure that withdrawals for that year are limited to no more than 1,555 afy.

3. ALA and LACSD agree their mutual goal is to maintain the level of the Lake at or above 5,100 feet (ALA datum).

4. LACSD currently has in place a medium-term solution designed to accomplish the parties' mutual goal of maintaining the level of the Lake at or above 5,100 feet. In order to accomplish this goal on a long-term basis, the parties will work together to formulate and implement a physical solution that creates a permanent and reliable source of supplemental water. In order to obtain a permanent and reliable source of supplemental water, LACSD will use best efforts to obtain an entitlement of water from State Water Project Contractors. LACSD will further use best efforts to formulate and implement measures to achieve the goal of maintaining the level of the Lake at or above 5,100 feet.

5. ALA agrees to withdraw its Notice of Intent to Appear, all written testimony, all exhibits, and any other evidence or policy statements from the State Board Enforcement hearing on Cease and Desist Order 252.31-18 and Administrative Civil Liability Complaint No. 262.5-40. ALA further agrees to support LACSD's position in the hearing.

6. ALA agrees that if the Lake is operated and managed in the manner expressed herein, ALA will not allege injury to downstream users or environmental interests.

7. This Agreement shall be specifically enforceable in Superior Court for the County of Riverside. Specifically, the parties shall consent and submit to the jurisdiction of the Court maintaining continuing jurisdiction over the case City of Barstow, et al. vs. City of Adelanto, et al., Case No. 288S68 for the purpose of administration and enforcement of this Agreement. Such submission shall be solely for the purpose of enforcement and administration of this Agreement. LACSD acknowledges that it is already subject to the jurisdiction of the Court in that case. (The intent paragraph is not to give the Mojave Water Agency authority over this agreement.)

Signatures dated 11/03/2005 and 11/11/2005

EXHIBIT ~~2~~1

~~MOU REGARDING WATERSHED MANAGEMENT COST SHARING BETWEEN THE LACSD AND THE ALA~~

~~WATERSHED MANAGEMENT ACTIVITIES TO BE INCLUDED IN THE MOU BUDGET~~

A. The following is a listing of ~~Watershed watershed Management management Activities activities~~ to be included in the ~~MOU BUDGET~~ Cost Sharing agreement:

~~1. Monitoring Criteria~~

~~2.1. Lake Arrowhead Dam Permit Fees~~

~~3. Repair, Maintenance and Construction of Erosion and/or Sediment Control Facilities~~

~~4. Dredging of Inlets to Certain Lake Arrowhead Bays~~

~~5. Repair and Maintenance of Lake Tower, Outlet System and Spillway~~

~~6. Lake Surface Water Monitoring Program~~

~~7. Boat inspection program~~

~~8.2. Shared Structures~~

~~9.3. Ground water exchange~~

2A.1. LAKE ARROWHEAD DAM PERMIT FEES

The following dam permit fee is included as a ~~Watershed Management Activity~~ cost sharing expense, since the fee would need to be paid by either ~~the~~ LACSD or ~~the~~ ALA, were Lake Arrowhead used exclusively for water supply or recreational activities:

Division of Safety of Dams (DSOD) Annual Permit Fee.

The DSOD permit fee is paid by ~~the~~ ALA. The DSOD permit is required by State law. The DSOD inspects the dam and the outlet system in conjunction with the permitting process.

ALA will provide a copy of the Dam Permit Fee invoice to LACSD. LACSD will reimburse ALA 75% of the cost of the Dam Permit Fee within 30 days of receipt of the invoice. The Dam Permit Fee is calculated in accordance with section 6307 of the California Water Code. Any additional costs assessed by the DSOD will not be included in the cost sharing.

8A.2. SHARED STRUCTURES

ALA and LACSD share the use of several bridge structures for both pedestrian walk ways and pipe supports for the transportation of water. The organizations will share 50% of the maintenance and rehabilitation costs of these facilities. Any work must be approved in advance by both entities to be eligible for cost sharing.

9A.3. GROUND WATER EXCHANGE

~~The~~ LACSD will exchange raw ground-water under the ALA's property for potable water on a two to one ratio. For example, ~~the~~ LACSD will credit ~~the~~ ALA one half gallon of potable water delivered for every one gallon of ground-water pumped from under its property.

~~The~~ ALA may apply this credit to property owned and irrigated by ~~the~~ ALA ~~at the time of ratification of this Agreement~~ and to facilities owned by ALA including restrooms, offices, maintenance facilities, and member use facilities.

In no way does ~~should~~ this exchange eliminate ALA's required diligence to ensure that the water delivered to ALA ~~their~~ facilities is used efficiently ~~with efficiency~~ as this would be contrary to the Parties' mutual goal to maintain the level of the Lake above 5,100 feet.

B. The following is a listing of watershed management activities that will continue to be conducted by LACSD at their sole cost and expense, unless indicated below as a responsibility of ALA. It is in the best interest of both parties that LACSD continues to conduct these activities, the ceasing of which could result in a breach of this agreement. ALA will make best efforts to support these activities when required.

1. Monitoring Criteria
2. Lake Surface Water Monitoring Program

B.1. Monitoring Criteria

Change in Storage: Data for the monthly monitoring of Lake level changes and controlling the amount of water withdrawn from ~~the~~ Lake Arrowhead for water supply purposes shall be derived from actual measurements.

~~Inflow shall include Precipitation falling directly on the water surface of the Lake, plus the Runoff into the Lake resulting from the Precipitation on the watershed. Metered quantities of excess storm water flows transferred by gravity from Grass Valley Lake to Lake Arrowhead under the control of ALA shall be included when they occur.~~

~~Outflow shall include raw Water Supply extractions, Evaporation, and any Seepage losses into Papoose Lake. Raw water transferred from Lake Arrowhead to Grass Valley Lake for golf course irrigation shall be metered and accounted for separately. Outflow shall also include ALA, at its own expense, shall be responsible for maintaining records of water spilled from Lake Arrowhead over ~~or through~~ the two Willow Creek Spillways, under the control of ALA. These records shall include consist of the time when each spillway opened and closed, as well as the resulting duration of time that each spillway was open. ALA will make this data available to LACSD at no cost for the purposes of reporting to the State.~~

Lake Level Measurements. Measurements of Lake level will be made at least daily by ALA at ALA's own expense at 8:00 am. ALA shall be responsible at its own expense for maintaining daily records of the Lake level and will provide Lake level measurements to LACSD at least

~~weekly. Daily measurement data will be made available to LACSD at no cost upon request. LACSD will provide funding to ALA to upgrade the Lake level measuring system and equipment so that Lake level is continuously recorded.~~

Precipitation Measurements. Precipitation measurements will be obtained by LACSD from the San Bernardino County Flood Control ~~District LACSD, Water Resources Division, for every gauging station they monitor within the watershed and other sources.~~ Information from LACSD gauging stations shall also be used. ~~LACSD shall fund the installation by ALA of a recording rain gauge at the North Shore Marina.~~

Inflow From Grass Valley Lake Measurements. Metered quantities of excess storm water flows transferred by gravity from Grass Valley Lake to Lake Arrowhead under the control of ALA shall be included when they occur. Measurement of the quantity of ~~I~~inflow periodically flowing into Lake Arrowhead from Grass Valley Lake by gravity through the tunnel shall be independently made by LACSD at the discharge end of the tunnel ~~and water spilled from Grass Valley over or through the Grass Valley Creek Spillway.~~

Withdrawal Measurements. LACSD shall be responsible for maintaining daily records of the quantities of water withdrawn from the Lake for domestic water supply, as well as any transfer to Grass Valley Lake for golf course irrigation, which shall be metered and accounted for separately, all in terms of acre-feet. LACSD shall provide such measurements to ALA.

6B.2. LAKE SURFACE WATER MONITORING PROGRAM

The lake surface water monitoring program ~~is included as a Watershed Management Activity, since the monitoring~~ would need to be performed by either ~~the~~-LACSD or ~~the~~-ALA, were Lake Arrowhead used exclusively for water supply or recreational activities. The monitoring program is as follows:

a) Weekly Monitoring, Memorial Day to Labor Day:

- 1) Burnt Mill Beach Club
- 2) Tavern Bay Beach Club

b) Monthly Monitoring, Six Months per Year:

- 1) Blue Jay Canyon Creek
- 2) Lower Burnt Mill Creek
- 3) Orchard Creek

c) Annual Monitoring:

- 1) Meadow Bay
- 2) North Bay

All surface water monitoring is performed by ~~the~~-LACSD.

Weekly monitoring consists of testing for:

- 1) Total and Fecal Coli forms, each sample point, each week;

- 2) Fecal Streptococci / Enterococci, each sample point, each week;
- 3) General Minerals, rotated sampling point, one sample each week.

Monthly monitoring consists of testing for:

- 1) Total and Fecal Coli forms, each sample point, each month;
- 2) Fecal Streptococci / Enterococci, each sample point, each month;
- 3) General Minerals, rotated sampling point, one sample each month;
- 4) MBAS, each sample point, each month.

Annual monitoring consists of testing for:

- 1) Herbicides, EPA Method 515.1, each sample point, each year;
- 2) Diquat, EPA Method 549.1, each sample point, each year.

C. The following is a listing of watershed management activities that will continue to be conducted by ALA at their sole cost and expense. It is in the best interest of both parties that ALA continues to conduct these activities, the ceasing of which could result in a breach of this agreement. LACSD will make best efforts to support these activities when required.

1. Repair, Maintenance and Construction of Erosion and/or Sediment Control Facilities
2. Dredging of Inlets to Certain Lake Arrowhead Bays
3. Routine Repair and Maintenance of Lake Tower, Outlet System and Spillway
4. Boat Inspection program

3C.1. REPAIR, MAINTENANCE AND CONSTRUCTION OF EROSION AND/OR SEDIMENT CONTROL FACILITIES

Repair, maintenance and construction of erosion and/or sediment control facilities ~~is included as a Watershed Management Activity, since such repair and maintenance~~ would need to be performed by either ~~the~~-LACSD or ~~the~~-ALA, were Lake Arrowhead used exclusively for water supply or recreational activities. ~~Current facilities are:~~

- ~~a. Orchard Bay Sedimentation Basin~~
- ~~b. Emerald Bay West Sedimentation Basin~~
- ~~c. Winter Harbor East Sedimentation Basin~~
- ~~d. Winter Harbor West Sedimentation Basin~~
- ~~e. Meadow Bay Sedimentation Basin~~

Repairs and maintenance of all erosion and/or sediment control facilities are performed by ~~the~~ ALA. Repair and maintenance consists of removing sediment collected in the basins, repairing storm damaged basins and modifying basins as necessary due to storm activity.

Construction would include construction of any needed sedimentation basin or erosion control facility which would result in a more ~~cost effective~~cost-effective sediment and erosion control operation.

Construction of all erosion and/or sediment control facilities is performed by ~~the ALA~~ at its own cost and expense. LACSD shall not be responsible for paying for any of these activities. Construction costs exceeding the Maximum Budget Cost Amount for this item, identified in Exhibit 3, will require either an amendment to Exhibit 3 in accordance with the MOU, or will require a cost-sharing arrangement between the LACSD and the ALA separate from this MOU.

C.24. DREDGING OF INLETS TO CERTAIN LAKE ARROWHEAD BAYS

Dredging of inlets to Lake Arrowhead Bays ~~as needed is included as a Watershed Management Activity, since the dredging~~ would need to be performed by either ~~the~~-LACSD or ~~the~~-ALA; were Lake Arrowhead used exclusively for water supply or recreational activities.

Dredging is performed by ~~the~~-ALA at its own cost and expense . ~~Areas are dredged at the area of inflow only, not the entire bay. These areas are dredged~~ to remove sediment material from inlet areas and maintain adequate stream flow into Lake Arrowhead, as well as to maintain lake water quality and storage capacity. ~~Dredging associated with maintaining navigation and dock access is not included in the MOU.~~

~~The~~-LACSD shall not be responsible for paying for any of these activities. LACSD shall assist ~~the~~-ALA in preparation and submittal of the appropriate applications to obtain necessary permits from State and Federal Agencies.

5C.3. REPAIR AND MAINTENANCE OF LAKE TOWER, OUTLET SYSTEM AND SPILLWAY

Repair and maintenance of the Lake Tower, outlet system and spillway ~~is included as a Watershed Management Activity, since such repair and maintenance~~ would need to be performed by either ~~the~~-LACSD or ~~the~~-ALA were Lake Arrowhead used exclusively for water supply or recreational activities.

Repair and maintenance of the Lake Tower, outlet system and spillway is performed by ~~the~~-ALA at its own expense. LACSD shall not be responsible for paying for any of these activities. Such repair and maintenance includes:

- a) Operation, routine repair and maintenance of outlet valves and valve operators;
- b) Routine repair and maintenance of access elevator, specifically including annual maintenance contracts;
- c) Operation, routine repair and maintenance of spillway, and;
- d) Routine repair and maintenance of tower and associated pipes, tunnel and outlet valve room.

Extraordinary repairs, replacement or upgrades of outlet valves, valve operators, access elevator, spillway, tower and associated pipes, tunnel and outlet valve room shall be outside the scope of this Agreement.

~~Repair costs, or possible unit replacement costs, exceeding the Maximum Budget Cost Amount for this item, identified in Exhibit (3), will require either an amendment to Exhibit (3) in accordance with the Agreement, or will require a cost sharing arrangement between the LACSD and the ALA separate from the Agreement.~~

7C.4. BOAT INSPECTION PROGRAM

The boat inspection program ~~is included as an Operational Activity~~would need to be performed by either LACSD or ALA were Lake Arrowhead used exclusively for water supply or recreational activities. The potential invasion of ~~the~~-zebra or quagga mussels poses a significant risk to ~~the DISTRICT~~LACSD. ~~The~~Invasive mussels clog water intake pipes and underwater screens. This plugs pumps and increases both maintenance and pumping costs. ALA is responsible for ~~The~~ monitoring program at its own expense ~~is~~-as follows:

Daily boat ramp monitoring (May through September)

- (1) Verbal discussion with owner on the use location of boat
- (2) Visual check of boat and trailer
- (3) Inspection of the bilge of any out of state boat
- (4) Require high pressure cleaning of boat

Exhibit 3

~~MOU REGARDING WATERSHED MANAGEMENT COST SHARING BETWEEN
THE LACSD AND THE ALA~~

~~MAXIMUM BUDGET COST AMOUNTS FOR
WATERSHED MANAGEMENT ACTIVITIES~~

~~The following is the identification of the Maximum Budget Cost Amounts for the Watershed Management Activities, and the basis for the maximum cost calculation.~~

~~Included in the development of the Maximum Budget Cost Amount are an estimated total cost amount and a contingency amount.~~

~~It should be noted that the BUDGET cost amount for any given year could be less than the maximum amounts listed below, but exceeding the Maximum Budget Cost Amounts will require an amendment to this Exhibit in accordance with the Agreement.~~

1. MONITORING CRITERIA

~~Change in Storage: Data for the monthly monitoring of Lake level changes and controlling the amount of water withdrawn from the Lake Arrowhead for water supply purposes shall be derived from actual measurements, as well as application of the basic Hydrologic Equation.~~

~~LACSD needs 7 monitoring sites plus a site for a rain gauge. LACSD shall lease these sites including the right of access and egress from ALA at the rate of \$1,000 per site per month year. This rate shall be adjusted annually pursuant to the CPI index referenced in paragraph 18 of the terms and conditions of this Agreement.~~

2. LAKE ARROWHEAD DAM PROPERTIES

~~The DSD Maximum Permit Fee Amount is currently \$26,500. This permit fee may increase as a result of State action.~~

~~In no case shall the Maximum Budget Cost Amount exceed the amount on the invoice from the Department of Water Resources for the Annual Dam Fee.~~

3. REPAIR, MAINTENANCE AND CONSTRUCTION OF EROSION AND/OR SEDIMENT CONTROL FACILITIES

SEDIMENTATION	AMOUNT OF MATERIAL	COST
BASIN	REMOVED ANNUALLY	(Estimated)
	(Estimated)	
Orchard Bay	400 yds	\$6,400
Emerald Bay West	275 yds	\$4,400
Winter Harbor East	100 yds	\$1,600

Winter Harbor – West	150 yds	\$2,400
Meadow Bay	100 yds	\$1,600
Total	1,025 yds	\$16,400
Contingency Amount		\$ 3,280
Maximum Budget Cost Amount		\$19,680

A material removal cost of \$16.00 per yd is used as the basis of estimating cost.

4. DREDGING OF INLETS TO CERTAIN LAKE ARROWHEAD BAYS

BAY	AMOUNT OF MATERIAL REMOVED (Estimated)	COST ANNUAL	COST TRI-ANNUAL
Orchard Bay	300 yds (annual) (1)	\$ 4,800	\$ 4,800
Blue Jay Bay	1,000 yds (annual) (1)	\$16,000	\$16,000
Burnt Mill Bay	400 yds (annual) (1)	\$ 6,400	\$ 6,400
Village Bay	200 yds (tri ann) (2)		\$ 6,000
Winter Harbor – East	50 yds (tri ann) (2)		\$ 1,500
Winter Harbor – West	50 yds (tri ann) (2)		\$ 1,500
Emerald Bay	150 yds (tri ann) (2)		\$ 4,500
North Bay – East	50 yds (tri ann) (1)		\$ 800
North Bay – Central	75 yds (tri ann) (2)		\$ 2,250
Rainbow Bay	75 yds (tri ann) (2)		\$ 2,250
Paradise Bay	50 yds (tri ann) (2)		\$ 1,500
Meadow Bay	50 yds (tri ann) (2)		\$ 1,500
Total	2,450 yds	\$27,200	\$49,000
Contingency Amount		\$ 5,440	\$ 9,800
MAXIMUM BUDGET COST AMOUNT		\$32,640	58,800

A material removal cost of \$16.00 per yd is used as the basis of estimating cost. (1)

A material removal cost of \$30.00 per yd is used as the basis of estimating cost. (2)

5. REPAIR AND MAINTENANCE OF LAKE TOWER, OUTLET SYSTEM AND SPILLWAY

ACTIVITY	LABOR	PARTS	TOTAL
COST	COST	COST	COST
Operation, Repair and Maintenance of Outlet Valves and Valve Operators	\$ 500	\$ 500	\$ 1,000
Repair and Maintenance Contract For Access Elevator	\$7,500	\$ 5,000	\$12,500
Operation, Repair and Maintenance of Spillway	\$ 1,300	\$ 200	\$ 1,500
Repair and Maintenance of Tower and Associated Pipes, Tunnel and Outlet Valve Room	\$ 500	\$ 1,100	\$ 1,600
Permit to Operate an Elevator (1)			\$ 170
TOTAL			\$16,770
Contingency Amount			\$ 3,354
MAXIMUM BUDGET COST AMOUNT			\$20,124

(1) State of California
 Department of Industrial Relations
 Division of OSHA

6. LAKE SURFACE WATER MONITORING PROGRAM

MONITORING LOCATION	TYPE	#/YR	COST PER ANALYSIS	TOTAL COST
Burnt Mill Beach Club	Weekly	26	\$ 52.12	\$1,355
Tavern Bay Beach Club	Weekly	26	\$ 52.12	\$1,355
Blue Jay Canyon Creek	Monthly	12	\$ 80.50	\$ 966
Lower Burnt Mill Creek	Monthly	12	\$ 80.50	\$ 966
Orchard Creek	Monthly	12	\$ 80.50	\$ 966
Meadow Bay	Annual	1	\$140	\$ 140
North Bay	Annual	1	\$140	\$ 140

~~Total~~ ~~_____~~ ~~\$ 5,888~~

~~Contingency Amount~~ ~~_____~~ ~~\$ 500~~

~~MAXIMUM BUDGET COST AMOUNT~~ ~~_____~~ ~~\$6,388~~

~~See Exhibit 1 for specific analyses to be performed for weekly, monthly and annual monitoring.~~

7. BOAT INSPECTION PROGRAM

~~The boat inspection program is included as an Operational Activity. The potential invasion of the zebra or quagga mussel poses a significant risk to the DISTRICT. The mussels clog water intake pipe and underwater screens. This plugs pumps and increases both maintenance and pumping costs. The monitoring program is as follows:~~

~~Daily boat ramp monitoring (May through September)~~

- ~~(1) Verbal discussion with owner on the use location of boat~~
- ~~(2) Visual check of boat and trailer~~
- ~~(3) Inspection of the bilge of any out of state boat~~
- ~~(4) Require high pressure cleaning of boat~~

~~MAXIMUM BUDGET COST AMOUNT~~ ~~_____~~ ~~\$12,500~~

8. SHARED STRUCTURES

~~The ALA and LACSD share several bridge structures that are used for transportation of water and for pedestrian traffic. The organizations shall share 50% of all costs related to the repair and Maintenance of these facilities. The Budget for the repair of the Structures will be submitted from ALA to LACSD by March 15 of any calendar year in which the work is to be performed.~~

9. WATER EXCHANGE

~~The LACSD will exchange raw ground water under the ALA's property for potable water on a two to one ratio. For example, the LACSD will credit the ALA one half gallon of potable water delivered for every one gallon of ground water pumped from under its property.~~

~~The ALA may apply this credit to property owned and irrigated by the ALA at the time of ratification of this Agreement and to facilities owned by ALA including restrooms, offices, maintenance facilities, and member use facilities.~~

AGREEMENT REGARDING PROTECTION OF BENEFICIAL USES OF LAKE ARROWHEAD

RECITALS

A Lake Arrowhead is an invaluable resource to the community serving both as the water supply source for the Arrowhead Woods community and as a recreational asset.

B. Several disputes have arisen over the years concerning the best way to preserve and manage Lake Arrowhead both as a water supply source and as a recreational asset.

C. The Lake Arrowhead Community Services District (LACSD) and the Arrowhead Lake Association (ALA) have a mutual interest in preserving the water quality and the water supply associated with the Lake Arrowhead Watershed.

D. Both ALA and LACSD were involved in State Water Resources Control Board ("SWRCB") Enforcement Hearing on Cease and Desist Order 262.31-18 and Administrative Civil Liability Complaint No. 262.5-40, resulting in Order WR 2006-0001. Among other things, the Order defines LACSD's pre-1914 rights to divert water from Lake Arrowhead for domestic uses.

E. In order to proceed in a cooperative manner, ALA and LACSD entered into Memorandum of Understanding (MOU), dated November 5, 2005, which served as a settlement of the areas of contention between ALA and LACSD and an Agreement Regarding Protection of Beneficial Uses of Lake Arrowhead (Prior Agreement), dated November 16, 2007.

F. In furtherance of the Settlement Agreements and the Parties' mutual interests, LACSD and ALA desire to participate in a cost-sharing arrangement for certain agreed upon costs associated with the protection and management of the Lake Arrowhead Watershed.

G. This Agreement is intended to update and supersede the MOU and Prior Agreement to reflect current conditions and reduce the administrative burden associated with those agreements.

TERMS AND CONDITIONS

Lake Arrowhead Community Services District ("LACSD") and Arrowhead Lake Association ("ALA") enter into the following Agreement ("Agreement") and agree to the following terms and conditions.

Lake Arrowhead Water Rights

ALA recognizes that LACSD is the owner of a valid pre-1914 right to divert water from Lake Arrowhead for consumptive purposes, and LACSD recognizes that ALA is the owner of a valid pre-1914 right to divert water to create Lake Arrowhead for recreational purposes.

Withdrawal Limitations

1. Without quantifying or otherwise limiting LACSD's pre-1914 right, and notwithstanding any right that has been or may in the future be acknowledged by the SWRCB, LACSD agrees that beginning in January 2008, LACSD will limit its diversions from the Lake to 1,566 acre- feet/year (afy). This amount will be inclusive of all withdrawals from the Lake by LACSD, whether for domestic or irrigation purposes.

2. Interface between ALA and LACSD. ALA and LACSD will designate two representatives and the General Manager of each entity to meet to discuss the implementation of the Agreement.

A. The meetings shall be mutually agreed upon by the parties and shall occur at least twice a year or as agreed to by both parties.

B. Although the provisions of the Brown Act do not apply to the meetings and persons designated to attend the meetings, the time, place and agenda for such meetings shall be posted by LACSD in accordance with the requirements of the first paragraph of Government Code Section 54954.2(a). No other requirements of the Brown Act shall apply to the meetings.

C. Minutes of the meetings shall be kept and posted on both the LACSD and ALA websites. Preparation of such minutes shall be the responsibility of LACSD.

D. All recommendations from the meetings shall be advisory and shall be submitted to both the ALA and LACSD Board of Directors for any action outside this Agreement to be undertaken.

3. The persons designated to discuss implementation of the Agreement and the general public shall receive lake water withdrawal information that quantifies LACSD's withdrawals of lake water for the previous month.

4. If at any time during the year the level of the Lake reaches 5103, the Interface Committee shall determine, within 15 days of the Lake reaching such level, if a meeting is required to review LACSD's planned extractions of lake water (defined according to a monthly withdrawal schedule for the remainder of the year). LACSD agrees that if the level of the Lake reaches 5,103, the Interface Committee will discuss if LACSD's withdrawals shall be limited according to a mutually agreeable schedule that will take into account the month of the year. The purpose and goal of such schedule will be to make every reasonable effort to prevent the Lake level from going below 5,100.

Lake Level Maintenance

5. ALA and LACSD agree that their mutual goal is to maintain the level of the Lake above 5,100 feet (ALA datum).

6. LACSD has enacted certain projects and programs designed to accomplish the Parties' mutual goal of maintaining the level of the Lake above 5,100 feet. These include water demand reduction programs, automated meter reading systems, recycled water facilities, groundwater development and an agreement for State Water Project water. LACSD will use best efforts to pursue additional solutions that result in an integrated water portfolio. In order to accomplish this goal on a long-term basis, the parties will work together to formulate and implement a physical solution that creates a permanent and reliable source of supplemental water.

SWRCB Compliance

7. LACSD is responsible for compliance with SWRCB Order 2006-0001 and nothing in this Agreement will preclude the LACSD from complying with the requirements of this Order.

Future Proceedings

8. ALA agrees that if the Lake is operated and managed in the manner expressed herein, ALA will not allege injury to recreational or downstream users or environmental interests.

9. ALA agrees to support LACSD in any future proceedings in defense of the operations of Lake Arrowhead for municipal water supply purposes.

10. LACSD agrees to support ALA in any future proceedings in defense of the operations of Lake Arrowhead for recreational purposes.

11. If LACSD is in breach of this Agreement, ALA shall not be bound by any of its covenants herein concerning injury caused by LACSD's operations.

Enforcement

12. This Agreement shall be specifically enforceable in Superior Court for the County of Riverside. Specifically, the parties shall consent and submit to the jurisdiction of the Court maintaining continuing jurisdiction over the case City of Barstow, et al. vs. City of Adelanto, et al, Case No. 208568 for the purpose of administration and enforcement of this Agreement. Such submission shall be solely for the purpose of enforcement and administration of this Agreement. LACSD acknowledges that it is already subject to the jurisdiction of the Court in that case. The intent of this paragraph is not to give the Mojave Water Agency authority over this Agreement.

Watershed Management

13. Cost Sharing by LACSD and ALA

LACSD agrees that certain costs identified in this Agreement would be borne by LACSD were it to maintain the Lake Arrowhead Watershed exclusively as a potable water supply. ALA agrees that certain costs identified in this Agreement would need to be performed by ALA were it to maintain the Lake Arrowhead Watershed exclusively as a recreational water body. LACSD and ALA agree to share certain costs as identified in Exhibit 1 of this Agreement beginning with costs incurred in Fiscal Year 2018/2019.

14. Independent Projects of LACSD

All construction work conducted by LACSD in the performance of any watershed management activities shall be the sole and absolute responsibility of LACSD. ALA shall not be responsible for any aspect of watershed management activities undertaken by LACSD. No watershed management activity performed by LACSD shall be deemed to be a joint venture between LACSD and ALA or deemed performed under the control, authority or direction of ALA. ALA shall not be deemed to be the owner of any property, have any interest in any property, nor shall ALA take title to any facility or final product produced by LACSD as the result of these activities.

15. Independent Projects of ALA

All construction work conducted by ALA in the performance of any of the watershed management activities and fully paid for with ALA funds shall be the sole and absolute responsibility of ALA. LACSD shall not be responsible for any aspect of the watershed management activities undertaken by the ALA. No watershed management activity performed by ALA shall be deemed to be a joint venture between LACSD and ALA or deemed performed under the control, authority or direction of LACSD, nor shall such work be considered a public works project. LACSD shall not be deemed to be the owner of any property, have any interest in any property, nor shall LACSD take title to any facility or final product produced by ALA as the result of these activities.

16. LACSD Hold Harmless and Indemnification

LACSD shall assume the defense of, indemnify and hold harmless, ALA and each of its directors, employees or agents from and against any and all actions, damages, claims, losses, expenses or liability arising from or related to LACSDS's acts or omissions in performing or failing to perform watershed management activities.

17. ALA Hold Harmless and Indemnification

ALA shall assume the defense of, indemnity and hold harmless, LACSD and each of its directors, employees or agents from and against any and all actions, damages, claims, losses, expenses or liability arising from or related to ALA's acts or omissions in performing or failing to perform watershed management activities.

Additional Terms

18. Term: The term of this Agreement shall be 10 years from the date of execution. At the end of the first 10-year period, and at the end of every subsequent 10-year period, the Agreement will automatically renew for an additional 10-year term unless one of the parties delivers a written intent to renegotiate the Agreement to the other party within 30 days after the expiration of the term.

19. Amendments: The Terms and Conditions of this Agreement shall be amendable only by mutual written consent of the Boards of each of the parties.

20. Severability: The Terms and Conditions of this Agreement shall be severable, and the invalidity for whatever reason of any specific term shall not affect any other term of the

EXHIBIT 1

COST SHARING BETWEEN LACSD AND ALA

A. The following is a listing of watershed management activities to be included in the Cost Sharing agreement:

1. Lake Arrowhead Dam Permit Fees
2. Shared Structures
3. Ground water exchange

A.1. LAKE ARROWHEAD DAM PERMIT FEES

The following dam permit fee is included as a cost sharing expense, since the fee would need to be paid by either LACSD or ALA, were Lake Arrowhead used exclusively for water supply or recreational activities:

Division of Safety of Dams (DSOD) Annual Permit Fee.

The DSOD permit fee is paid by ALA. The DSOD permit is required by State law. The DSOD inspects the dam and the outlet system in conjunction with the permitting process.

ALA will provide a copy of the Dam Permit Fee invoice to LACSD. LACSD will reimburse ALA 75% of the cost of the Dam Permit Fee within 30 days of receipt of the invoice. The Dam Permit Fee is calculated in accordance with section 6307 of the California Water Code. Any additional costs assessed by the DSOD will not be included in the cost sharing.

A.2. SHARED STRUCTURES

ALA and LACSD share the use of several bridge structures for both pedestrian walk ways and pipe supports for the transportation of water. The organizations will share 50% of the maintenance and rehabilitation costs of these facilities. Any work must be approved in advance by both entities to be eligible for cost sharing.

A.3. GROUND WATER EXCHANGE

LACSD will exchange raw groundwater under the ALA's property for potable water on a two to one ratio. For example, LACSD will credit ALA one half gallon of potable water delivered for every one gallon of groundwater pumped from under its property.

ALA may apply this credit to property owned and irrigated by ALA and to facilities owned by ALA including restrooms, offices, maintenance facilities, and member use facilities.

In no way does this exchange eliminate ALA's required diligence to ensure that the water delivered to ALA facilities is used efficiently as this would be contrary to the Parties' mutual goal to maintain the level of the Lake above 5,100 feet.

B. The following is a listing of watershed management activities that will continue to be conducted by LACSD at their sole cost and expense, unless indicated below as a responsibility of ALA. It is in the best interest of both parties that LACSD continues to conduct these activities, the ceasing of which could result in a breach of this agreement. ALA will make best efforts to support these activities when required.

1. Monitoring Criteria
2. Lake Surface Water Monitoring Program

B.1. Monitoring Criteria

Change in Storage: Data for the monthly monitoring of Lake level changes and controlling the amount of water withdrawn from Lake Arrowhead for water supply purposes shall be derived from actual measurements.

Outflow ALA, at its own expense, shall be responsible for maintaining records of water spilled from Lake Arrowhead over the two Willow Creek Spillways, under the control of ALA. These records shall include the time when each spillway opened and closed, as well as the resulting duration of time that each spillway was open. ALA will make this data available to LACSD at no cost for the purposes of reporting to the State.

Lake Level Measurements. Measurements of Lake level will be made at least daily by ALA at ALA's own expense. ALA shall be responsible at its own expense for maintaining daily records of the Lake level and will provide Lake level measurements to LACSD at least weekly. Daily measurement data will be made available to LACSD at no cost upon request.

Precipitation Measurements. Precipitation measurements will be obtained by LACSD from the San Bernardino County Flood Control District and other sources. Information from LACSD gauging stations shall also be used.

Inflow From Grass Valley Lake Measurements. Metered quantities of excess storm water flows transferred by gravity from Grass Valley Lake to Lake Arrowhead under the control of ALA shall be included when they occur. Measurement of the quantity of inflow periodically flowing into Lake Arrowhead from Grass Valley Lake by gravity through the tunnel shall be independently made by LACSD at the discharge end of the tunnel.

Withdrawal Measurements. LACSD shall be responsible for maintaining daily records of the quantities of water withdrawn from the Lake for domestic water supply, as well as any transfer to Grass Valley Lake for golf course irrigation, which shall be metered and accounted for separately, all in terms of acre-feet. LACSD shall provide such measurements to ALA.

B.2. LAKE SURFACE WATER MONITORING PROGRAM

The lake surface water monitoring program would need to be performed by either LACSD or ALA, were Lake Arrowhead used exclusively for water supply or recreational activities. The monitoring program is as follows:

a) Weekly Monitoring, Memorial Day to Labor Day:

- 1) Burnt Mill Beach Club
- 2) Tavern Bay Beach Club

b) Monthly Monitoring, Six Months per Year:

- 1) Blue Jay Canyon Creek
- 2) Lower Burnt Mill Creek
- 3) Orchard Creek

c) Annual Monitoring:

- 1) Meadow Bay
- 2) North Bay

All surface water monitoring is performed by LACSD.

Weekly monitoring consists of testing for:

- 1) Total and Fecal Coli forms, each sample point, each week;
- 2) Fecal Streptococci / Enterococci, each sample point, each week;
- 3) General Minerals, rotated sampling point, one sample each week.

Monthly monitoring consists of testing for:

- 1) Total and Fecal Coli forms, each sample point, each month;
- 2) Fecal Streptococci / Enterococci, each sample point, each month;
- 3) General Minerals, rotated sampling point, one sample each month;
- 4) MBAS, each sample point, each month.

Annual monitoring consists of testing for:

- 1) Herbicides, EPA Method 515.1, each sample point, each year;
- 2) Diquat, EPA Method 549.1, each sample point, each year.

C. The following is a listing of watershed management activities that will continue to be conducted by ALA at their sole cost and expense. It is in the best interest of both parties that ALA continues to conduct these activities, the ceasing of which could result in a breach of this agreement. LACSD will make best efforts to support these activities when required.

1. Repair, Maintenance and Construction of Erosion and/or Sediment Control Facilities
2. Dredging of Inlets to Certain Lake Arrowhead Bays
3. Routine Repair and Maintenance of Lake Tower, Outlet System and Spillway
4. Boat Inspection program

C.1. REPAIR, MAINTENANCE AND CONSTRUCTION OF EROSION AND/OR SEDIMENT CONTROL FACILITIES

Repair, maintenance and construction of erosion and/or sediment control facilities would need to be performed by either LACSD or ALA, were Lake Arrowhead used exclusively for water supply or recreational activities.

Repairs and maintenance of all erosion and/or sediment control facilities are performed by ALA. Repair and maintenance consists of removing sediment collected in the basins, repairing storm damaged basins and modifying basins as necessary due to storm activity.

Construction would include construction of any needed sedimentation basin or erosion control facility which would result in a more cost-effective sediment and erosion control operation. Construction of all erosion and/or sediment control facilities is performed by ALA at its own cost and expense. LACSD shall not be responsible for paying for any of these activities.

C.2. DREDGING OF INLETS TO CERTAIN LAKE ARROWHEAD BAYS

Dredging of inlets to Lake Arrowhead Bays would need to be performed by either LACSD or ALA; were Lake Arrowhead used exclusively for water supply or recreational activities.

Dredging is performed by ALA at its own cost and expense to remove sediment material from inlet areas and maintain adequate stream flow into Lake Arrowhead, as well as to maintain lake water quality and storage capacity.

LACSD shall not be responsible for paying for any of these activities. LACSD shall assist ALA in preparation and submittal of the appropriate applications to obtain necessary permits from State and Federal Agencies.

C.3. REPAIR AND MAINTENANCE OF LAKE TOWER, OUTLET SYSTEM AND SPILLWAY

Repair and maintenance of the Lake Tower, outlet system and spillway would need to be performed by either LACSD or ALA were Lake Arrowhead used exclusively for water supply or recreational activities.

Repair and maintenance of the Lake Tower, outlet system and spillway is performed by ALA at its own expense. LACSD shall not be responsible for paying for any of these activities. Such repair and maintenance includes:

- a) Operation, routine repair and maintenance of outlet valves and valve operators;
- b) Routine repair and maintenance of access elevator, specifically including annual maintenance contracts;
- c) Operation, routine repair and maintenance of spillway, and;
- d) Routine repair and maintenance of tower and associated pipes, tunnel and outlet valve room.

Extraordinary repairs, replacement or upgrades of outlet valves, valve operators, access elevator, spillway, tower and associated pipes, tunnel and outlet valve room shall be outside the scope of this Agreement.

C.4. BOAT INSPECTION PROGRAM

The boat inspection program would need to be performed by either LACSD or ALA were Lake Arrowhead used exclusively for water supply or recreational activities. The potential invasion of zebra or quagga mussels poses a significant risk to LACSD. Invasive mussels clog water intake pipes and underwater screens. This plugs pumps and increases both maintenance and pumping costs. ALA is responsible for the monitoring program at its own expense as follows:

Daily boat ramp monitoring (May through September)

- (1) Verbal discussion with owner on the use location of boat
- (2) Visual check of boat and trailer
- (3) Inspection of the bilge of any out of state boat
- (4) Require high pressure cleaning of boat