SWEETWATER AUTHORITY

JOINT POWERS AGREEMENT & HISTORY OF AMENDMENTS

EFFECTIVE APRIL 1, 2002
SWEETWATER AUTHORITY
JOINT POWERS AGREEMENT HISTORY OF AMENDMENTS
EFFECTIVE FEBRUARY 2002

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JOINT POWERS AGREEMENT OF 1972,
AS AMENDED AND READOPTED IN 1977,
BETWEEN

THE SOUTH BAY IRRIGATION DISTRICT

AND

THE CITY OF NATIONAL CITY

CREATING

THE SWEETWATER AUTHORITY
# JOINT POWERS AGREEMENT OF 1972,
# AS AMENDED AND READOPTED IN 1977,
# BETWEEN
# THE SOUTH BAY IRRIGATION DISTRICT
# AND
# THE CITY OF NATIONAL CITY
# CREATING THE SWEETWATER AUTHORITY

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This Agreement, dated July 22, 1977, is made and entered into by and between the South Bay Irrigation District (hereinafter sometimes referred to as "South Bay"), an irrigation district organized and existing under the Irrigation District Law of the State of California (Division 11 of the Water Code), and the City of National City (hereinafter sometimes referred to as "National City"), a municipal corporation organized and existing under the laws of the State of California (Title 4 of the Government Code).

Recitals

South Bay and National City and the residents in each of them are served by the water supply and distribution system owned by the California-American Water Company, which system is known as the Sweetwater District of the San Diego Bay Division (hereinafter sometimes referred to as "Sweetwater System"). South Bay and National City are in the process of acquiring the Sweetwater System by means of an eminent domain proceeding (San Diego Superior Court No. 306441). South Bay and National City find that it would be in the best interests of each public agency and the residents of each of
them to create the "SWEETWATER AUTHORITY" to acquire, own, lease, operate, manage, maintain and improve the Sweetwater System so that their residents will be supplied with water at the lowest possible cost consistent with sound economy, prudent management and the security and payment of the principal and interest of the revenue bonds to be issued by SOUTH BAY.

NOW, THEREFORE, SOUTH BAY AND NATIONAL CITY, FOR AND IN CONSIDERATION OF THEIR MUTUAL PROMISES AND AGREEMENTS HEREIN CONTAINED, DO AGREE AS FOLLOWS:

SECTION 1. Purposes of Agreement and Common Powers to be Exercised

This Agreement is made pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6500 hereinafter sometimes called "Act") relating to the joint exercise of powers common to public agencies, in this case being SOUTH BAY and NATIONAL CITY, each of which is authorized to contract with the other pursuant thereto. The purposes of this Agreement are to create the SWEETWATER AUTHORITY, to provide for the acquisition, leasing, ownership, financing, operation, management, maintenance, repair and improvement of the Sweetwater System, and the construction of additions and improvements thereto, for the supplying of water for domestic, irrigation, sanitation, industrial, fire protection, recreation
or any other public or private uses. Each public agency has in common the powers to acquire, own, finance, lease, operate, manage, maintain, repair, improve and construct such facilities for such purposes. The foregoing purposes will be accomplished and common powers exercised in the manner hereinafter set forth.

SECTION 2. Sweetwater Authority

(A) Creation of Authority

Pursuant to Sections 6506 and 6507 of the Act, there is hereby created a public entity to be known as the "SWEETWATER AUTHORITY." The SWEETWATER AUTHORITY shall be a public entity separate and apart from SOUTH BAY and NATIONAL CITY and a "local government" within the meaning of Section 3(c) of Article XIII of the California Constitution. The boundaries of the SWEETWATER AUTHORITY shall be coterminous with the boundaries of SOUTH BAY and NATIONAL CITY as they exist from time to time. The debts, liabilities and obligations of the SWEETWATER AUTHORITY shall not constitute debts, liabilities or obligations of SOUTH BAY or NATIONAL CITY.

(B) Governing Board

The SWEETWATER AUTHORITY shall be administered by a Governing Board of seven (7) members, each serving in his individual capacity as a member of the Governing
Board. Such Governing Board shall be called the "Governing Board of the SWEETWATER AUTHORITY." All voting power shall reside in the Governing Board.

Five (5) members of the Governing Board of the SWEETWATER AUTHORITY shall be the five persons who are from time to time the incumbent members of the Board of Directors of SOUTH BAY.

Two (2) members of the Governing Board of the SWEETWATER AUTHORITY shall be appointed by the Mayor, subject to confirmation by the City Council, of NATIONAL CITY. They shall be electors of NATIONAL CITY at the time of assuming such offices and at all times during their terms of office. They shall serve four (4) year terms. Any vacancy that occurs among the NATIONAL CITY members of the Governing Board shall be filled by appointment by the Mayor, subject to confirmation by the City Council, of NATIONAL CITY.

(C) Meetings of the Governing Board

(1) Regular Meetings

The Governing Board of the SWEETWATER AUTHORITY shall provide for its regular meetings. The date, hour and place of holding the regular meetings
shall be fixed by Resolution of the Governing Board. A copy of such Resolution shall be filed with SOUTH BAY and NATIONAL CITY.

(2) Ralph M. Brown Act

All meetings of the Governing Board of the SWEETWATER AUTHORITY, including, without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code), as amended.

(3) Minutes

The Secretary of the SWEETWATER AUTHORITY shall cause to be kept minutes of the meetings of the Governing Board and shall, after each meeting, cause a copy of the minutes to be forwarded to each member of the Governing Board and to SOUTH BAY and NATIONAL CITY.

(4) Quorum

A majority of the Governing Board of the SWEETWATER AUTHORITY shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn from time to time; provided that the affirmative vote of at least four members
of the Governing Board shall be required for any action of the Governing Board, other than adjournment.

(D) Officers and Duties

(1) Chairman

The Governing Board of the SWEETWATER AUTHORITY shall elect one of its members as Chairman. The Chairman's term of office shall be two years and until his successor takes office. The Chairman of the Governing Board shall preside at its meetings and shall perform such other duties as are specified by the Governing Board.

(2) Vice-Chairman

The Governing Board of the SWEETWATER AUTHORITY shall elect one of its members Vice-Chairman. The Vice-Chairman's term of office shall be two years and until his successor takes office. The Vice-Chairman shall perform all the duties of the Chairman in the absence of the Chairman or in the event of the Chairman's inability to perform such duties.

(3) Secretary

The Secretary of the SWEETWATER AUTHORITY shall be appointed by the Governing Board of the SWEETWATER AUTHORITY and shall serve at the
pleasure of the Governing Board. The Secretary may but need not be a member of the Governing Board. The Secretary shall be responsible for the minutes and other records of the proceedings of the Governing Board and shall perform such other duties as are specified by the Governing Board.

(4) **Treasurer**

The Treasurer of the SWEETWATER AUTHORITY shall be the Treasurer of SOUTH BAY serving ex-officio as Treasurer of the SWEETWATER AUTHORITY. The Treasurer shall have custody of all the money of the SWEETWATER AUTHORITY, from whatever source, and he shall:

(a) Receive and receipt for all money of the SWEETWATER AUTHORITY and place it in the SOUTH BAY treasury to the credit of the SWEETWATER AUTHORITY;

(b) Be responsible upon his official bond for the safekeeping and disbursement of all SWEETWATER AUTHORITY money so hold by him;
(c) Pay any other sums due from the SWEETWATER AUTHORITY from AUTHORITY money, or any portion thereof, only upon warrants of the Controller of the SWEETWATER AUTHORITY;

(d) Verify and report in writing on the first day of July, October, January and April of each year to the SWEETWATER AUTHORITY and to SOUTH BAY and NATIONAL CITY the amount of money he holds for the AUTHORITY, the amount of receipts since his last report, and the amount paid out since his last report; and

(e) Perform such other duties as are specified by the Governing Board.

(5) Controller

The Controller of the SWEETWATER AUTHORITY shall be the duly appointed and acting Controller of SOUTH BAY serving ex-officio as Controller of the SWEETWATER AUTHORITY. The Controller shall establish and maintain such accounts, books and records as may be required by good accounting practice or by any provision of lease agreements of the SWEETWATER AUTHORITY and he shall perform
such other duties as are specified by the Governing Board. There shall be strict accountability of all funds and report of all receipts and disbursements. The accounts, books and records of the AUTHORITY shall be open to inspection at all reasonable times by representatives of SOUTH BAY or NATIONAL CITY. The Controller shall draw warrants to pay demands against the AUTHORITY when the demands have been approved by the Governing Board. The Controller shall, with the approval of the Governing Board, contract with a certified public accountant to make an annual audit of the accounts and records of the AUTHORITY. The minimum requirements of the audit shall be those prescribed by the State Controller for Special Districts under Section 26909 of the Government Code and shall conform to generally accepted auditing standards. A report thereof shall be filed as public records with SOUTH BAY and NATIONAL CITY and also with the County Auditor of San Diego County. Such reports shall be filed within twelve months of the end of the fiscal year under examination.
(6) **Attorney**

The Attorney for the SWEETWATER AUTHORITY shall be the duly appointed and acting Attorney for SOUTH BAY (or his duly authorized deputy), serving ex-officio as Attorney for the SWEETWATER AUTHORITY. The Attorney for the AUTHORITY or his designated deputy shall attend all meetings of the Governing Board, but his absence shall not affect the validity of any meeting. The Attorney shall perform such other duties as are specified by the Governing Board.

(E) **Rules**

The Governing Board may adopt, from time to time, such rules and regulations for the conduct of its meetings and affairs as may be required.

**SECTION 3. Powers**

The SWEETWATER AUTHORITY shall have the powers common to SOUTH BAY and NATIONAL CITY set forth in Section 1, as limited by this Agreement. The SWEETWATER AUTHORITY, by and through its Governing Board, is hereby authorized, in its own name, to do all acts necessary, convenient or appropriate for the exercise of said common powers for the purposes set forth in Section 1 and to do any or all of the following:
(a) To make and enter into contracts, including agreements necessary to comply with procedural requirements in connection with any federal or state grants;

(b) To employ agents, officers and employees;

(c) To lease, acquire, construct, manage, maintain or operate any buildings, works or improvements;

(d) To acquire, hold, lease or dispose of property;

(e) To incur debts, liabilities or obligations which do not constitute a debt, liability or obligation of SOUTH BAY or NATIONAL CITY;

(f) To sue and be sued in its own name;

(g) To receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity provided that such gifts, contributions or donations are consented to by the AUTHORITY in each instance;

(h) To lease, as lessee, from SOUTH BAY, as lessor, the Sweetwater System including both real and personal property thereof, and operating capital and reserves therefor;

(i) To fix the compensation paid to the Governing Board, Secretary, Treasurer, Controller and Attorney, provided, however, the compensation of the Board members shall not exceed that authorized for Irrigation District Board members (see Water Code Section 21166) from time to time;
(j) To prescribe the duties, compensation and other terms and conditions of employment of other agents, officers and employees;

(k) To adopt reasonable rules and regulations for the conduct of the Sweetwater System and to prescribe, revise and collect charges for services, facilities and water furnished;

(l) To acquire, own, lease, operate, manage, maintain, repair and improve the Sweetwater System, and to construct additions and improvements thereto. Such powers shall be exercised in the manner provided in the Act, and, except as expressly set forth herein, subject only to such restrictions upon the manner of exercising such powers as are imposed upon SOUTH BAY in the exercise of similar powers.

SECTION 4. Fiscal Year

The fiscal year of the SWEETWATER AUTHORITY shall be July 1 to June 30.

SECTION 5. Official Bond

The Manager of the SWEETWATER AUTHORITY is hereby designated as the person who shall have charge of, handle and have access to the property of the SWEETWATER AUTHORITY.
The Manager shall file an official bond in an amount fixed by SOUTH BAY and NATIONAL CITY. The SWEETWATER AUTHORITY shall procure and maintain adequate fidelity insurance or bonds on all directors, officers, agents and employees or other persons handling or responsible for any revenues or funds of the SWEETWATER AUTHORITY and the Sweetwater System. All bond and insurance premiums shall be paid by the SWEETWATER AUTHORITY.

SECTION 6. Payments and Advances

SOUTH BAY and NATIONAL CITY may, in appropriate circumstances or when required by this Agreement: (a) make contributions from their treasuries for the purposes set forth in this Agreement; (b) make payments of public funds to defray the cost of such purposes; (c) make advances of public funds for such purposes, such advances to be repaid as provided in this Agreement; or (d) contribute the use of personnel, equipment or property of one or more parties to this Agreement in lieu of other contributions or advances.

SECTION 7. Issuance of Bonds

(A) SOUTH BAY shall sell $22,500,000 principal amount of revenue bonds pursuant to the Revenue Bond Law of 1941 to pay and provide for: the sum due the
California-American Water Company under the Agreement Re Final Order of Condemnation in the eminent domain proceeding, which agreement was approved by Order of the Court on April 16, 1977; the cost of the sale and issuance of the revenue bonds; bond reserve funds and other reserve funds; working capital; and other costs and expenses incidental to or connected with the acquisition and financing of the Sweetwater System as authorized by the Revenue Bond Law of 1941, and as authorized at the May 31, 1977, election. Upon the sale and issuance of the revenue bonds by SOUTH BAY, the unissued $22,500,000 revenue bonds of National City authorized at the May 31, 1977, election shall be cancelled.

(B) Concurrently with the issuance of SOUTH BAY's revenue bonds: NATIONAL CITY shall take such steps as are necessary to cause title to the Sweetwater System to vest in SOUTH BAY pursuant to the Final Order of Condemnation in the eminent domain proceeding; SOUTH BAY shall lease the Sweetwater System to the SWEETWATER AUTHORITY; the SWEETWATER AUTHORITY shall assume the obligations to California-American Water Company set forth
in paragraphs 4, 7 and 8 of the Agreement Re Final Order of Condemnation; SOUTH BAY and NATIONAL CITY shall assign to SWEETWATER AUTHORITY all of their interest in the unexpended balances of contributions in aid of construction, advances for construction, accounts receivable and unbilled revenues from customers to be remitted by California-American Water Company under paragraph 12 of the Agreement Re Final Order of Condemnation.

SECTION 8. Litigation Expenses

(A) SOUTH BAY and NATIONAL CITY shall each pay its own attorneys' fees in connection with the eminent domain proceeding (San Diego Superior Court No. 306441).

(B) All other expenses of proceeding No. 306441, including (without limitation) expert witness fees and court costs, in the total amount of $453,025.68, have been advanced by SOUTH BAY. SOUTH BAY's share of such expenses is $330,708.95 and NATIONAL CITY's share is $122,316.93. NATIONAL CITY's share of such expenses advanced by SOUTH BAY shall bear interest at the rate of 5.5% per annum from and after November 1, 1971. NATIONAL CITY shall reimburse SOUTH BAY for NATIONAL CITY's $122,316.93 share of the expenses plus the
interest thereon. The total amount due from NATIONAL CITY as of November 1, 1977, is $162,681.51. Such reimbursement shall be made from legally available funds in four (4) payments (interest included), as follows: $44,150 on November 1, 1977, 1978 and 1979; $43,467 on November 1, 1980.

SECTION 9. Contributions

SOUTH BAY and NATIONAL CITY shall contribute to SWEETWATER AUTHORITY, at no expense to SWEETWATER AUTHORITY and with no obligation of repayment on the part of SWEETWATER AUTHORITY, the following:

(1) All attorney's fees incurred by them in connection with the eminent domain proceeding;

(2) All other expenses of the eminent domain proceeding, including (without limitation) expert witness fees and court costs;

(3) All costs of conducting the revenue bond elections held May 31, 1977.

SECTION 10. San Diego County Water Authority

Standby Charge

(A) SOUTH BAY and NATIONAL CITY hereby empower the SWEETWATER AUTHORITY (upon its acquisition by lease of the Sweetwater System and during the term of the lease or of this Agreement, whichever is longer) to order, receive, sell and distribute through
the Sweetwater System (as it is constituted from time to time) for use within SOUTH BAY and NATIONAL CITY, respectively, all water that SOUTH BAY and NATIONAL CITY, respectively, shall become entitled to purchase from the San Diego County Water Authority to the extent that the SWEETWATER AUTHORITY shall require the same. The SWEETWATER AUTHORITY does not by this Agreement acquire any interest in the San Diego County Water Authority water rights of SOUTH BAY or NATIONAL CITY other than the right to order, receive, sell and distribute said water in accordance with, and during the terms of, this Agreement and the Sweetwater System lease. The SWEETWATER AUTHORITY shall order such water directly from the San Diego County Water Authority and shall pay the Water Authority for such water. The SWEETWATER AUTHORITY may order from the San Diego County Water Authority amounts of water up to the aggregate amounts available to SOUTH BAY and NATIONAL CITY. If the SOUTH BAY or NATIONAL CITY component of an order exceeds the amount of water available to either agency from the San Diego County Water Authority, then to the extent the other agency shall have unordered County Water Authority water entitlement available it shall be used and a like amount of local water available to the entitlement-
short agency shall be released to the other agency in exchange therefor, at its request. If no request is made within one year of a use, the right to the release of exchange water therefor shall terminate as to that individual use.

(B) Upon three (3) months' written notice to the SWEETWATER AUTHORITY, SOUTH BAY and/or NATIONAL CITY may, at their/its option, elect to charge the SWEETWATER AUTHORITY standby charges to the extent hereinafter provided for the right to receive water from the San Diego County Water Authority. Upon the exercise of the option to make a standby charge by either SOUTH BAY or NATIONAL CITY (or both), then an equivalent standby charge shall be made by both SOUTH BAY and NATIONAL CITY. (For example, if SOUTH BAY charged a standby charge equal to 50% of the Metropolitan Water District of Southern California taxes levied in SOUTH BAY, then it would be mandatory for NATIONAL CITY to charge a standby charge equal to 50% of the MWD taxes levied in National City.) The option to charge a standby charge shall not be exercised unless at the time of the exercise of the option there is sufficient money in the surplus account under the lease of the Sweetwater System to pay in full one year's standby charges for both SOUTH BAY and NATIONAL CITY. The surplus account under the lease contains money remaining on hand after paying:
(1) maintenance and operation costs of the Sweetwater System; (2) rental as provided in the lease of the Sweetwater System; and (3) repair and replacement reserve account deposits as provided in the lease of the Sweetwater System. The SWEETWATER AUTHORITY shall only be obligated to pay, and shall only pay, such charges from moneys, if any, in said surplus account until the SOUTH BAY revenue bonds and the interest thereon shall have been paid in full or adequate provision for such payment shall have been made. Until the SOUTH BAY revenue bonds, and the interest thereon, shall have been paid in full or adequate provision for such payment shall have been made, the amounts of such standby charges shall not exceed fifty percent (50%) of any Metropolitan Water District of Southern California and San Diego County Water Authority taxes for each fiscal year (July 1 to June 30) applicable to taxable property situated within the public agency (SOUTH BAY or NATIONAL CITY) making such standby charge. If a standby charge is made and to the extent moneys are available in said surplus account, sixty percent (60%) thereof shall be payable by the SWEETWATER AUTHORITY by December 1 and forty percent (40%) by May 1 of the fiscal year for which the charge is made or at such other times and in such installments as are necessary to correspond to the requirements of the Metropolitan Water District and the County Water Authority as to cash payments in lieu of
taxes, as such requirements may be changed from time to time. Nothing herein shall prevent SOUTH BAY or NATIONAL CITY from using the proceeds from its respective standby charge for any lawful purpose.

(C) SOUTH BAY and NATIONAL CITY agree to: remain members of the San Diego County Water Authority at all times during the term of this Agreement; take any action necessary to protect their water rights and other rights as members of the Water Authority; perform such acts and execute such documents as may be necessary to accomplish the purposes of this Section.

SECTION 11. Term, Amendments, Termination

(A) This Agreement shall be effective when signed by SOUTH BAY and NATIONAL CITY, may be amended by mutual consent, and shall continue until terminated by mutual consent or by either SOUTH BAY or NATIONAL CITY upon one year's written notice; provided, however, this Agreement cannot be terminated until all of SOUTH BAY's revenue bonds and the interest thereon, shall have been paid in full or adequate provision for such payment shall have been made.

(B) If this Agreement is terminated as provided above, the Sweetwater System and any property acquired as a result of the joint exercise of powers shall be divided or distributed in accordance with the mutual
agreement of SOUTH BAY and NATIONAL CITY. After completion of the purpose of this Agreement, to-wit, upon termination thereof, any surplus money on hand shall be returned to SOUTH BAY and NATIONAL CITY in proportion to the contributions made in accordance with the mutual agreement of the parties. If SOUTH BAY and NATIONAL CITY cannot reach a mutual agreement in regard to such division and distribution of properties or money, then such division and distribution shall be settled by arbitration as hereinafter set forth. The matter shall be submitted to a board of three (3) arbitrators which shall be appointed, one by SOUTH BAY, one by NATIONAL CITY, and the third by the first two. The public agency desiring arbitration shall notify the other public agency by a written notice stating that it desires arbitration, that it has appointed its nominee, and that it requests the other public agency to appoint its nominee. The other public agency shall, within thirty (30) days from the receipt of said notice, appoint its nominee. Within fifteen (15) days after the last public agency has appointed its nominee, the two nominees shall appoint the third. None of the arbitrators shall be a resident of or taxpayer in, or own property in, or have a place of business in, or be an officer or employee of, either public agency. The arbitration board shall hold at least one hearing and
at least ten (10) days before said hearing shall give each public agency written notice thereof. In making such a division of the Sweetwater System, the arbitrators shall: (1) distribute to SOUTH BAY that portion of the water distribution system within SOUTH BAY; (2) distribute to NATIONAL CITY that portion of the water distribution system within NATIONAL CITY; (3) distribute jointly to SOUTH BAY and NATIONAL CITY undivided interests in water production facilities, major transmission facilities, and the remaining portions of the Sweetwater System in reasonable proportion to their respective distribution requirements and systems; (4) provide for the administration of the jointly owned facilities by SOUTH BAY; (5) give consideration to good utility operating practices in making the division so that water service may be continued by SOUTH BAY and NATIONAL CITY in an efficient and economical manner. Each public agency shall be given an opportunity to be heard and to present evidence. Upon conclusion of the hearing or hearings the arbitration board shall reduce their findings of fact, conclusions of law and the decision to writing, and shall sign the same and deliver one signed copy thereof to each public agency. Such decision shall be final and binding upon both public agencies. A majority finding shall govern if the arbitrators' determination is not unanimous. Each public agency
shall pay its own expenses including the expenses of
the arbitrator which it nominates. The expenses of the
third arbitrator, and the administrative costs of the
arbitration proceedings shall be shared equally. In
all respects not inconsistent with the foregoing, the
proceedings shall be in accordance with Title 9 of
Part 3 of the California Code of Civil Procedure (as
amended from time to time).

SECTION 12. No Franchise Charges

Upon acquisition by lease agreement of the Sweetwater
System, the SWEETWATER AUTHORITY shall have the exclusive
right to supply water within SOUTH BAY and NATIONAL CITY and
to operate, maintain, repair, construct and extend its water
facilities therein for such purpose. Neither SOUTH BAY nor
NATIONAL CITY shall levy a franchise charge against the
SWEETWATER AUTHORITY.

SECTION 13. Wells In National City

The SWEETWATER AUTHORITY shall not drill additional
wells in NATIONAL CITY for the purpose of increasing production
from the underground beyond the 1967 level of production
without the consent of NATIONAL CITY.
SECTION 14. Severability

If any section, sub-section, sentence, clause or phrase of this Agreement, or the application thereof to either public agency or to any other person or circumstance, is for any reason held invalid, it shall be deemed severable and the validity of the remainder of the Agreement, or the application of such provision to the other public agency or to any other person or circumstance, shall not be affected thereby. Each public agency hereby declares that it would have entered into this Agreement, and each section, sub-section, sentence, clause and phrase thereof irrespective of the fact that one or more sections, sub-sections, clauses or phrases, or the application thereof to either public agency or to any other person or circumstance, might be held invalid.


The Joint Powers Agreement of 1969, dated January 28, 1969, between SOUTH BAY and NATIONAL CITY is superseded by this Agreement; provided, however, the provision of the 1969 Agreement to proceed jointly to acquire the Sweetwater System by eminent domain shall remain in full force and effect, as modified by this Agreement.
IN WITNESS WHEREOF, the parties have caused this Joint Powers Agreement of 1972, As Amended in 1977, between SOUTH BAY IRRIGATION DISTRICT and THE CITY OF NATIONAL CITY creating the SWEETWATER AUTHORITY to be signed by their respective officials heretofore duly authorized by the legislative bodies thereof.

DATED: July 22, 1977

SOUTH BAY IRRIGATION DISTRICT

By

President

ATTEST:

Secretary
(SEAL)

DATED: July 22, 1977

CITY OF NATIONAL CITY

By

Mayor

ATTEST:

City Clerk
(SEAL)
RESOLUTION NO. 408

RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH BAY IRRIGATION DISTRICT APPROVING AMENDMENT A TO JOINT POWERS AGREEMENT OF 1972

IT IS HEREBY RESOLVED by the Board of Directors of South Bay Irrigation District that Amendment A to Joint Powers Agreement of 1972, as amended and readopted in 1977, between the South Bay Irrigation District and the City of National City creating the Sweetwater Authority be and it is hereby approved in the form attached hereto as Exhibit A, and the President and Secretary are authorized to sign Amendment A for and on behalf of the District.

PASSED AND ADOPTED at a meeting of the Board of Directors of South Bay Irrigation District held February 13, 1980 by the following vote:

AYES: Directors Zogob, Wright, Lee and Burns

NOES: Director Steele

ABSENT: None

[Signatures]

President

ATTEST:

[Signature]

Secretary
AMENDMENT A
TO
JOINT POWERS AGREEMENT OF 1972 BETWEEN
THE SOUTH BAY IRRIGATION DISTRICT AND
THE CITY OF NATIONAL CITY CREATING THE
SWEETWATER AUTHORITY

THIS AMENDMENT A TO JOINT POWERS AGREEMENT OF 1972, AS
AMENDED AND READOPTED IN 1977, is made and entered into by
and between the SOUTH BAY IRRIGATION DISTRICT (hereinafter
sometimes referred to as "SOUTH BAY"), an irrigation district
organized and existing under the Irrigation District Law of
the State of California (Division 11 of the Water Code), and
the CITY OF NATIONAL CITY (hereinafter sometimes referred to
as "NATIONAL CITY"), a municipal corporation organized and
existing under the laws of the State of California (Title 4

SOUTH BAY AND NATIONAL CITY, FOR AND IN CONSIDERATION
OF THEIR MUTUAL PROMISES AND AGREEMENT HEREIN CONTAINED, DO
AGREE AS FOLLOWS:

Section 2(D)(5) of the Joint Powers Agreement of 1972,
as amended and readopted in 1977, between the SOUTH BAY
IRRIGATION DISTRICT and the CITY OF NATIONAL CITY creating
the SWEETWATER AUTHORITY is hereby amended to read as follows:

"(5) Controller

"The Controller of the SWEETWATER AUTHORITY shall be
the duly appointed and acting Controller of SOUTH BAY
serving ex-officio as Controller of the SWEETWATER AUTHORITY.
The Controller shall establish and maintain such accounts,
books and records as may be required by good accounting
practice or by any provision of lease agreements of the
SWEETWATER AUTHORITY and he shall perform such other duties
as are specified by the Governing Board. There shall be
strict accountability of all funds and report of all re­
cipts and disbursements. The accounts, books and records
of the AUTHORITY shall be open to inspection at all reason­
able times by representatives of SOUTH BAY or NATIONAL CITY.
The Controller shall draw warrants to pay demands against
the AUTHORITY when the demands have been approved by the
General Manager, or in his absence the Operations Manager,
of the AUTHORITY, subject to any limitations imposed by the
Governing Board. The Controller shall, with the approval of
the Governing Board, contract with a certified public ac­
countant to make an annual audit of the accounts and records
of the AUTHORITY. The minimum requirements of the audit

EXHIBIT "A"
shall be those prescribed by the State Controller for Special Districts under Section 26909 of the Government Code and shall conform to generally accepted auditing standards. A report thereof shall be filed as public records with SOUTH BAY and NATIONAL CITY and also with the County Auditor of San Diego County. Such reports shall be filed within twelve months of the end of the fiscal year under examination."

IN WITNESS WHEREOF, SOUTH BAY and NATIONAL CITY have caused this Amendment A to Joint Powers Agreement of 1972 to be signed by their respective officials heretofore duly authorized by the legislative bodies thereof.

Dated: April 9, 1980

SOUTH BAY IRRIGATION DISTRICT

By

ATTEST:

(Seal)

Secretary

April 9, 1980

CITY OF NATIONAL CITY

By

ATTEST:

(Seal)

City Clerk
RESOLUTION NO. 484

RESOLUTION OF THE BOARD OF DIRECTORS
OF SOUTH BAY IRRIGATION DISTRICT
APPROVING AMENDMENT TO JOINT POWERS AGREEMENT
OF 1972

IT IS HEREBY RESOLVED by the Board of Directors of South Bay
Irrigation District that Amendment B to the Joint Powers
Agreement of 1972, as amended and readopted in 1977, between the
South Bay Irrigation District and the City of National City
creating the Sweetwater Authority be and it is hereby approved in
the form attached hereto as Exhibit A, and the President and
Secretary are authorized to sign Amendment B for and on behalf of
the District.

PASSED AND ADOPTED at a meeting of the Board of Directors of
the South Bay Irrigation District held April 10, 1990, by the
following vote, to wit:

AYES: Directors Steele, Wright, Smith, Pocklington and Welsh

NOES: None

ABSENT: None

[Signature]
President

ATTEST:

[Signature]
Secretary
RESOLUTION NO. 13,305

RESOLUTION AUTHORIZING EXECUTION OF AMENDMENT A
TO JOINT POWERS AGREEMENT OF 1972

BE IT RESOLVED by the City Council of the City of National City that Amendment A to Joint Powers Agreement of 1972, as amended and readopted in 1977 between the South Bay Irrigation District and the City of National City creating the Sweetwater Authority, be and it is hereby approved in the form attached hereof as Exhibit A.

BE IT FURTHER RESOLVED that the Mayor is authorized and directed to execute and the City Clerk is authorized and directed to attest, said Amendment A for and on behalf of said City.

PASSED AND ADOPTED this 1st day of April, 1980.

ATTEST:

[Signatures]
AMENDMENT B
TO
JOINT POWERS AGREEMENT OF 1972 BETWEEN
THE SOUTH BAY IRRIGATION DISTRICT AND
THE CITY OF NATIONAL CITY CREATING THE
SWEETWATER AUTHORITY

THIS AMENDMENT B TO JOINT POWERS AGREEMENT OF 1972, AS AMENDED AND READOPTED IN 1977, is made and entered into by and between the SOUTH BAY IRRIGATION DISTRICT (hereinafter sometimes referred to as "SOUTH BAY"), an irrigation district organized and existing under the Irrigation District Law of the State of California (Division 11 of the Water Code), and the CITY OF NATIONAL CITY (hereinafter sometimes referred to as "NATIONAL CITY"), a municipal corporation organized and existing under the laws of the State of California (Title 4 of the Government Code).

SOUTH BAY AND NATIONAL CITY, FOR AND IN CONSIDERATION OF THEIR MUTUAL PROMISES AND AGREEMENT HEREIN CONTAINED, DO AGREE AS FOLLOWS:

1. Section 11 of the Joint Powers Agreement of 1972, as amended and readopted in 1977, between the SOUTH BAY IRRIGATION DISTRICT and the CITY OF NATIONAL CITY creating the SWEETWATER AUTHORITY is hereby amended to read as follows:

"Section 11. Term, Amendments, Termination

(A) This Agreement shall be effective when signed by SOUTH BAY and NATIONAL CITY, may be amended by mutual consent, and shall continue until terminated by mutual consent or by either SOUTH BAY or NATIONAL CITY upon one year's written notice; provided, however, this Agreement cannot be terminated until all of SWEETWATER AUTHORITY'S revenue bonds and the interest, shall have been paid in full or adequate provision for such payment shall have been made."

2. Section 16 shall be added to the Joint Powers Agreement of 1972, as amended and readopted in 1977, between the SOUTH BAY IRRIGATION DISTRICT and the CITY OF NATIONAL CITY creating the SWEETWATER AUTHORITY to read as follows:

"Section 16. Disposition of Property

The Authority shall sell or otherwise dispose of property only upon a five/seventh's vote of the Governing Board and only if:

(A) The property so sold or exchanged is non-operative, is not needed for the efficient and proper operation of the Water System, or, if such property be material or equipment, is worn out; and

- 1 -
(B) The consideration to be received for the property is the market value thereof; and

(C) If the market value of any such property shall, in the opinion of the Authority, exceed the amount of $425,000 times the ratio of the value of the Engineering News Record Construction Cost Index as of the next previous August 1 to the value of said index as of August 1, 1989, the Authority shall have been furnished an Engineer's Certificate certifying the market value of the property and further certifying that such property is non-operative, and is not needed for the efficient and proper operation of the Water System, or is worn out. To the extent required by the Resolution, the Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of properties which are a part of the Water System."

IN WITNESS WHEREOF, SOUTH BAY and NATIONAL CITY have caused this Amendment B to the Joint Powers Agreement of 1972 to be signed by their respective officials heretofore duly authorized by the legislative bodies thereof.

Dated: April 10, 1990

SOUTH BAY IRRIGATION DISTRICT

By William D. Robinson

President

ATTEST:

[Signature]

Secretary

(SEAL)

Dated: 4-19-90

CITY OF NATIONAL CITY

By George H. Waters

Mayor

ATTEST:

[Signature]

City Clerk

(SEAL)

CMC\SWAJPA.AB
RESOLUTION NO. 2001 - 190

RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF NATIONAL CITY
CONSENTING TO INCREASED PRODUCTION
OF NATIONAL CITY WELLS

WHEREAS, National City is a member of the Sweetwater Authority, a joint powers authority ("Sweetwater"), consisting of the South Bay Irrigation District and the City of National City; and

WHEREAS, Sweetwater obtains water for sale to customers from wells located in the City of National City ("the National City Wells"); and

WHEREAS, Sweetwater provides that Sweetwater shall not drill additional wells in National City for the purpose of increasing production from the underground beyond the 1967 level of production without the consent of National City; and

WHEREAS, Sweetwater has maintained and operated the National City Wells since 1977 and has developed hydrologic information and operating methods which could enable it to produce additional water from the underground beyond the 1967 level of production; and

WHEREAS, it is in the interest of all customers of Sweetwater including those customers residing in National City that the production of the National City Wells be increased so as to increase the percentage of local groundwater being supplied to Sweetwater customers.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of National City hereby consents to the construction and operation of projects by Sweetwater to drill and operate additional wells in National City to increase the production of local groundwater to a level of 10,000 acre feet per year.

PASSED and ADOPTED this 4th day of December, 2001.

George H. Waters, Mayor

ATTEST:

Michael Dalla, City Clerk

APPROVED AS TO FORM:

George H. Eisbrt, III
City Attorney
Passed and adopted by the Council of the City of National City, California, on December 4, 2001, by the following vote, to-wit:

Ayes: Councilmembers Beauchamp, Inzunza, Morrison, Zarate, Waters.
Nays: None.
Absent: None.
Abstain: None.

AUTHENTICATED BY: GEORGE H. WATERS
Mayor of the City of National City, California

MICHAEL R. DALLA
City Clerk of the City of National City, California

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2001-190 of the City of National City, California, passed and adopted by the Council of said City on December 4, 2001.

City Clerk of the City of National City, California

By: Deput
JOINT POWERS AGREEMENT OF 1972,
AS AMENDED AND READOPTED IN 1977,
BETWEEN

THE SOUTH BAY IRRIGATION DISTRICT
AND

THE CITY OF NATIONAL CITY
CREATING
THE SWEETWATER AUTHORITY

[EFFECTIVE APRIL 1, 2002 INCLUDING THE 1ST AND 2ND AMENDMENT]
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Joint Powers Agreement of 1972, as Amended and Readopted in 1977, Between the South Bay Irrigation District and the City of National City Creating the Sweetwater Authority.

THIS AGREEMENT, dated July 22, 1977, is made and entered into by and between the SOUTH BAY IRRIGATION DISTRICT (hereinafter sometimes referred to as "SOUTH BAY"), an irrigation district organized and existing under the Irrigation District Law of the State of California (Division 11 of the Water Code), and the CITY OF NATIONAL CITY (hereinafter sometimes referred to as "NATIONAL CITY"), a municipal corporation organized and existing under the laws of the State of California (Title 4 of the Government Code).

RECITALS

SOUTH BAY and NATIONAL CITY and the residents in each of them are served by the water supply and distribution system owned by the California-American Water Company, which system is known as the Sweetwater District of the San Diego Bay Division (hereinafter sometimes referred to as "Sweetwater System"). SOUTH BAY and NATIONAL CITY are in the process of acquiring the Sweetwater System by means of an eminent domain proceeding (San Diego Superior Court No.306441). SOUTH BAY and NATIONAL CITY find that it would be in the best interests of each public agency and the residents of each of them to create the "SWEETWATER AUTHORITY" to acquire, own, lease, operate, manage, maintain and improve the Sweetwater System so that their residents will be supplied with water at the lowest possible cost consistent with sound economy, prudent management and the security and payment of the principal and interest of the revenue bonds to be issued by SOUTH BAY.

NOW, THEREFORE, SOUTH BAY AND NATIONAL CITY, FOR AND IN CONSIDERATION OF THEIR MUTUAL PROMISES AND AGREEMENTS HEREIN CONTAINED, DO AGREE AS FOLLOWS:

SECTION 1. Purposes of Agreement and Common Powers to be Exercised

This Agreement is made pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6500 hereinafter sometimes called "Act" relating to the joint exercise of powers common to public agencies, in this case being SOUTH BAY and NATIONAL CITY, each in which is Authorized to contract with the
other pursuant thereto. The purposes of this Agreement are to create the SWEETWATER AUTHORITY, to provide for the acquisition, leasing, ownership, financing, operation, management, maintenance, repair and improvement of the Sweetwater System, and the construction of additions and improvements thereto, for the supplying of water for domestic irrigation, sanitation, industrial, fire protection, recreation or any other public or private uses. Each public agency has in common the powers to acquire, own, finance, lease, operate, manage, maintain, repair, improve and construct such facilities for such purposes. The foregoing purposes will be accomplished and common powers exercised in the manner hereinafter set forth.

SECTION 2. Sweetwater Authority

(A) Creation of Authority

Pursuant to Sections 6506 and 6507 of the Act, there is hereby created a public entity to be known as the “SWEETWATER AUTHORITY.” The SWEETWATER AUTHORITY shall be a public entity separate and apart from SOUTH BAY and NATIONAL CITY and a "local government" within the meaning of Section 3(c) of Article XIII of the California Constitution. The boundaries of the SWEETWATER AUTHORITY shall be coterminous with the boundaries of SOUTH BAY and NATIONAL CITY as they exist from time to time. The debts, liabilities and obligations of the SWEETWATER AUTHORITY shall not constitute debts, liabilities or obligations of SOUTH BAY or NATIONAL CITY.

(B) Governing Board

The SWEETWATER AUTHORITY shall be administered by a Governing Board of seven (7) members, each serving in his individual capacity as a member of the Governing Board. Such Governing Board shall be called the "Governing Board of the SWEETWATER AUTHORITY." All voting power shall reside in the Governing Board.

Five (5) members of the Governing Board of the SWEETWATER AUTHORITY shall be the five persons who are from time to time the incumbent members of the Board of Directors of SOUTH BAY.

Two (2) members of the Governing Board of the SWEETWATER AUTHORITY shall be appointed by the Mayor, subject to confirmation by the City Council, of NATIONAL CITY. They shall be electors of NATIONAL CITY at the time of assuming such offices and at all times.
during their terms of office. They shall serve four (4) year terms. Any vacancy that occurs among
the NATIONAL CITY members of the Governing Board shall be filled by appointment by the Mayor,
subject to confirmation by the City Council, of NATIONAL CITY.

(C) Meetings of the Governing Board

(1) Regular Meetings

The Governing Board of the SWEETWATER AUTHORITY shall provide for its regular
meetings. The date, hour and place of holding the regular meetings shall be fixed by Resolution of
the Governing Board. A copy of such Resolution shall be filed with SOUTH BAY and NATIONAL
CITY.

(2) Ralph M. Brown Act

All meetings of the Governing Board of the SWEETWATER AUTHORITY, including,
without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and
conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with
Section 54950 of the Government Code), as amended.

(3) Minutes

The Secretary of the SWEETWATER AUTHORITY shall cause to be kept minutes of the
meetings of the Governing Board and shall, after each meeting, cause a copy of the minutes to be
forwarded to each member of the Governing Board and to SOUTH BAY and NATIONAL CITY.

(4) Quorum

A majority of the Governing Board of the SWEETWATER AUTHORITY shall constitute
a quorum for the transaction of business, except that less than a quorum may adjourn from time to
time; provided that the affirmative vote of at least four members of the Governing Board shall be
required for any action of the Governing Board, other than adjournment.
(D) Officers and Duties

(1) Chairman

The Governing Board of the SWEETWATER AUTHORITY shall elect one of its members as Chairman. The Chairman’s term of office shall be two years and until his successor takes office, The Chairman of the Governing Board shall preside at its meetings and shall perform such other duties as are specified by the Governing Board.

(2) Vice-Chairman

The Governing Board of the SWEETWATER AUTHORITY shall elect one of its members Vice-Chairman. The Vice-Chairman’s term of office shall be two years and until his successor takes office. The Vice-Chairman shall perform all the duties of the Chairman in the absence of the Chairman or in the event of the Chairman’s inability to perform such duties.

(3) Secretary

The Secretary of the SWEETWATER AUTHORITY shall be appointed by the Governing Board of the SWEETWATER AUTHORITY and shall serve at the pleasure of the Governing Board. The Secretary may but need not be a member of the Governing Board. The Secretary shall be responsible for the minutes and other records of the proceedings of the Governing Board and shall perform such other duties as are specified by the Governing Board.

(4) Treasurer

The Treasurer of the SWEETWATER AUTHORITY shall be the Treasurer of SOUTH BAY serving ex-officio as Treasurer of the SWEETWATER AUTHORITY. The Treasurer shall have custody of all the money of the SWEETWATER AUTHORITY, from whatever source, and he shall:

(a) Receive and receipt for all money of the SWEETWATER AUTHORITY and place it in the SOUTH BAY treasury to the credit of the SWEETWATER AUTHORITY;

(b) Be responsible upon his official bond for the safe-keeping and disbursement of all SWEETWATER AUTHORITY money so held by him;
(c) Pay any other sums due from the SWEETWATER AUTHORITY from AUTHORITY money, or any portion thereof, only upon warrants of the Controller of the SWEET WATER AUTHORITY;

(d) Verify and report in writing on the first day of July, October, January and April of each year to the SWEETWATER AUTHORITY and to SOUTH BAY and NATIONAL CITY the amount of money he holds for the AUTHORITY, the amount of receipts since his last report, and the amount paid out since his last report; and

(e) Perform such other duties as are specified by the Governing Board.

(5) Controller

The Controller of the SWEETWATER AUTHORITY shall be the duly appointed and acting Controller of SOUTH BAY serving ex-officio as Controller of the SWEETWATER AUTHORITY. The Controller shall establish and maintain such accounts, books and records as may be required by good accounting practice or by any provision of lease agreements of the SWEETWATER AUTHORITY and he shall perform such other duties as are specified by the Governing Board. There shall be strict accountability of all funds and report of all receipts and disbursements. The accounts, books and records of the AUTHORITY shall be open to inspection at all reasonable times by representatives of SOUTH BAY or NATIONAL CITY. The Controller shall draw warrants to pay demands against the AUTHORITY when the demands have been approved by the General Manager, or in his absence the Operations Manager, of the AUTHORITY, subject to limitations imposed by the Governing Board. The Controller shall, with the approval of the Governing Board, contract with a certified public accountant to make an annual audit of the accounts and records of the AUTHORITY. The minimum requirements of the audit shall be those prescribed by the State Controller for Special Districts under Section 26909 of the Government Code and shall conform to generally accepted auditing standards. A report thereof shall be filed as public records with SOUTH BAY and NATIONAL CITY and also with the County Auditor of San Diego County. Such reports shall be filed within twelve months of the end of the fiscal year under examination."

(As Amended 1980.)
(6) Attorney

The Attorney for the SWEETWATER AUTHORITY shall be the duly appointed and acting Attorney for SOUTH BAY (or his duly authorized deputy), serving ex-officio as Attorney for the SWEETWATER AUTHORITY. The Attorney for the AUTHORITY or his designated deputy shall attend all meetings of the Governing Board, but his absence shall not affect the validity of any meeting. The Attorney shall perform such other duties as are specified by the Governing Board.

(E) Rules

The Governing Board may adopt, from time to time, such rules and regulations for the conduct of its meetings and affairs as may be required.

SECTION 3. Powers

The SWEETWATER AUTHORITY shall have the powers common to SOUTH BAY and NATIONAL CITY set forth in Section 1, as limited by this Agreement. The SWEETWATER AUTHORITY, by and through its Governing Board, is hereby authorized, in its own name, to do all acts necessary, convenient or appropriate for the exercise of said common powers for the purposes set forth in Section 1 and to do any or all of the following:

(a) To make and enter into contracts, including agreements necessary to comply with procedural requirements in connection with any federal or state grants;

(b) To employ agents, officers and employees;

(c) To lease, acquire, construct, manage, maintain or operate any buildings, works or improvements;

(d) To acquire, hold, lease or dispose of property;

(e) To incur debts, liabilities or obligations which do not constitute a debt, liability or obligation of SOUTH BAY or NATIONAL CITY;

(f) To sue and be sued in its own name;

(g) To receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity,
provided that such gifts, contributions or donations are consented to by the AUTHORITY in each instance;

(h) To lease, as lessee, from SOUTH BAY, as lessor, the Sweetwater System including both real and personal property thereof, and operating capital and reserves therefor;

(i) To fix the compensation paid to the Governing Board, Secretary, Treasurer, Controller and Attorney, provided, however, the compensation of the Board members shall not exceed that authorized for Irrigation District Board members (see Water Code Section 21166) from time to time;

(j) To prescribe the duties, compensation and other terms and conditions of employment of other agents, officers and employees;

(k) To adopt reasonable rules and regulations for the conduct of the Sweetwater System and to prescribe, revise and collect charges for services facilities and water furnished;

(l) To acquire, own, lease, operate, manage, maintain, repair and improve the Sweetwater System, and to construct additions and improvements thereto.

Such powers shall be exercised in the manner provided in the Act. and, except as expressly set forth herein, subject only to such restrictions upon the manner of exercising such powers as are imposed upon SOUTH BAY in the exercise of similar powers.

SECTION 4. Fiscal Year

The fiscal year of the SWEETWATER AUTHORITY shall be July 1 to June 30.

SECTION 5. Official Bond

The Manager of the SWEETWATER AUTHORITY is hereby designated as the person who shall have charge of, handle and have access to the property of the SWEETWATER AUTHORITY. The Manager shall file an official bond in an amount fixed by SOUTH BAY and NATIONAL CITY. The SWEETWATER AUTHORITY shall procure and maintain adequate
fidelity insurance or bonds on all directors, officers, agents and employees or other persons handling or responsible for any revenues or funds of the SWEETWATER AUTHORITY and the Sweetwater System. All bond and insurance premiums shall be paid by the SWEETWATER AUTHORITY.

SECTION 6. Payments and Advances

SOUTH BAY and NATIONAL CITY may, in appropriate circumstances or when required by this Agreement: (a) make contributions from their treasuries for the purposes set forth in this Agreement; (b) make payments of public funds to defray the cost of such purposes; (c) make advances of public funds for such purposes, such advances to be repaid as provided in this Agreement; or (d) contribute the use of personnel, equipment or property of one or more parties to this Agreement in lieu of other contributions or advances.

SECTION 7. Issuance of Bonds

(A) SOUTH BAY shall sell $22,500,000 principal amount of revenue bonds pursuant to the Revenue Bond law of 1941 to pay and provide for: the sum due the California-American Water Company under the Agreement Re Final Order of Condemnation in the eminent domain proceeding, which agreement was approved by Order of the Court on April 16, 1977; the cost of the sale and issuance of the revenue bonds; bond serve funds and other reserve funds; working capital; and other costs and expenses incidental to or connected with the acquisition and financing of the Sweetwater System as authorized by the Revenue Bond Law of 1941, and as authorized at the May 31, 1977, election. Upon the sale and issuance of the revenue bonds by SOUTH BAY, the unissued $22,500,000 revenue bonds of NATIONAL CITY authorized at the May 31, 1977, election shall be cancelled.

(B) Concurrently with the issuance of SOUTH BAY's revenue bonds: NATIONAL CITY shall take such steps as are necessary to cause title to the Sweetwater System to vest in SOUTH BAY pursuant to the Final Order of Condemnation in the eminent domain proceeding; SOUTH BAY shall lease the Sweetwater System to the SWEETWATER AUTHORITY; the SWEETWATER AUTHORITY shall assume the obligations to California-American Water Company set forth in paragraphs 4, 7 and 8 of the Agreement Re Final Order of Condemnation; SOUTH BAY and NATIONAL CITY shall assign to SWEETWATER AUTHORITY all of their interest in the unexpended balances of contributions in aid of construction, advances for construction, accounts

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receivable and unbilled revenues from customers to be remitted by California - American Water Company under paragraph 12 of the Agreement Re Final Order of Condemnation.

SECTION 8. Litigation Expenses

(A) SOUTH BAY and NATIONAL CITY shall each pay its own attorneys' fees in connection with the eminent domain proceeding (San Diego Superior Court No.306441).

(B) All other expenses of proceeding No.306441, including (without limitation) expert witness fees and court costs, in the total amount of $453,025.68, have been advanced by SOUTH BAY. SOUTH BAY's share of such expenses is $330,708.95 and NATIONAL CITY's share is $122,316.93. NATIONAL CITY's share of such expenses advanced by SOUTH BAY shall bear interest at the rate of 5.5% per annum from and after November 1, 1971. NATIONAL CITY shall reimburse SOUTH BAY for NATIONAL CITY's $122,316.93 share of the expenses plus the interest thereon. The total amount due from NATIONAL CITY as of November 1, 1977, is $162,681.51. Such reimbursement shall be made from lawfully available funds in four (4) payments (interest included), as follows: $44,150 on November 1, 1977, 1978 and 1979; $43,467 on November 1, 1980.

SECTION 9. Contributions

SOUTH BAY and NATIONAL CITY shall contribute to SWEETWATER AUTHORITY, at no expense to SWEETWATER AUTHORITY and with no obligation of repayment on the part of SWEETWATER AUTHORITY, the following:

(1) All attorney's fees incurred by them in connection with the eminent domain proceeding;

(2) All other expenses of the eminent domain proceeding, including (without limitation) expert witness fees and court costs;

(3) All costs of conducting the revenue bond elections held May 31, 1977
SECTION 10. San Diego County Water Authority-Standby Charge

(A) SOUTH BAY and NATIONAL CITY hereby empower the SWEETWATER AUTHORITY (upon its acquisition by lease of the Sweetwater System and during the term of the lease or of this Agreement, whichever is longer) to order, receive, sell and distribute through the Sweetwater System (as it is constituted from time to time) for use within SOUTH BAY and NATIONAL CITY, respectively, all water that SOUTH BAY and NATIONAL CITY, respectively, shall become entitled to purchase from the San Diego County Water Authority to the extent that the SWEETWATER AUTHORITY shall require the same. The SWEETWATER AUTHORITY does not by this Agreement acquire any interest in the San Diego County Water Authority water rights of SOUTH BAY or NATIONAL CITY other than the right to order, receive, sell and distribute said water in accordance with, and during the terms of, this Agreement and the Sweetwater System lease. The SWEETWATER AUTHORITY shall order such water directly from the San Diego County Water Authority and shall pay the Water Authority for such water. The SWEETWATER AUTHORITY may order from the San Diego County Water Authority amounts of water up to the aggregate amounts available to SOUTH BAY and NATIONAL CITY. If the SOUTH BAY or NATIONAL CITY component of an order exceeds the amount of water available to either agency from the San Diego County Water Authority, then to the extent the other agency shall have unordered County Water Authority water entitlement available it shall be used and a like amount of local water available to the entitlement-short agency shall be released to the other agency in exchange therefor, at its request. If no request is made within one year of a use, the right to the release of exchange water therefor shall terminate as to that individual use.

(B) Upon three (3) months' written notice to the SWEETWATER AUTHORITY, SOUTH BAY and/or NATIONAL CITY may, at their/its option, elect to charge the SWEETWATER AUTHORITY standby charges to the extent hereinafter provided for the right to receive water from the San Diego County Water Authority. Upon the exercise of the option to make a standby charge by either SOUTH BAY or NATIONAL CITY (or both), then an equivalent standby charge shall be made by both SOUTH BAY and NATIONAL CITY. (For example, if SOUTH BAY charged a standby charge equal to 50% of the Metropolitan Water District of Southern California taxes levied in SOUTH BAY, then it would be mandatory for NATIONAL CITY to charge a standby charge equal to 50% of the MWD taxes levied in National City.) The option to charge a standby charge shall not be exercised unless at the time of the exercise of the option there is sufficient money in the surplus account under the lease of the Sweetwater System to pay in full one year's standby charges for both
SOUTH BAY and NATIONAL CITY. The surplus account under the lease contains money remaining on hand after paying: (1) maintenance and operation costs of the Sweetwater System; (2) rental as provided in the lease of the Sweetwater System; and (3) repair and replacement reserve account deposits as provided in the lease of the Sweetwater System. The SWEETWATER AUTHORITY shall only be obligated to pay, and shall only pay, such charges from moneys, if any, in said surplus account until the SOUTH BAY revenue bonds and the interest thereon shall have been paid in full or adequate provision for such payment shall have been made. Until the SOUTH BAY revenue bonds, and the interest thereon, shall have been paid in full or adequate provision for such payment shall have been made, the amounts of such standby charges shall not exceed fifty percent (50%) of any Metropolitan Water District of Southern California and San Diego County Water Authority taxes for each fiscal year (July 1 to June 30) applicable to taxable property situated within the public agency (SOUTH BAY or NATIONAL CITY) making such standby charge. If a standby charge is made and to the extent moneys are available in said surplus account, sixty percent (60%) thereof shall be payable by the SWEETWATER AUTHORITY by December 1 and forty percent (40%) by May 1 of the fiscal year for which the charge is made or at such other times and in such installments as are necessary to correspond to the requirements of the Metropolitan Water District and the County Water Authority as to cash payments in lieu of taxes, as such requirements may be changed from time to time. Nothing herein shall prevent SOUTH BAY or NATIONAL CITY from using the proceeds from its respective standby charge for any lawful purpose.

(C) SOUTH BAY and NATIONAL CITY agree to: remain members of the San Diego County Water Authority at all times during the term of this Agreement; take any action necessary to protect their water rights and other rights as members of the Water Authority; perform such acts and execute such documents as may be necessary to accomplish the purposes of this Section.

SECTION 11. Term, Amendments, Termination

(A) This Agreement shall be effective when signed by SOUTH BAY and NATIONAL CITY, may be amended by mutual consent, and shall continue until terminated by mutual consent or by either SOUTH BAY or NATIONAL CITY upon one year's written notice; provided, however, this Agreement cannot be terminated until all of SWEETWATER AUTHORITY'S revenue bonds and the interest, shall have been paid in full or adequate provision for such payment shall have been made.
(As Amended 1990.)
If this Agreement is terminated as provided above, the Sweetwater System and any other Property acquired as a result of the joint exercise of powers shall be divided or distributed in accordance with the mutual agreement of SOUTH BAY and NATIONAL CITY. After completion of the purpose of the Agreement, to-wit, upon termination thereof, any surplus money on hand shall be returned to SOUTH BAY and NATIONAL CITY in proportion to the contributions made in accordance with the mutual agreement of the parties. If SOUTH BAY and NATIONAL CITY cannot reach a mutual agreement in regard to such division and distribution of properties or money, then such division and distribution shall be settled by arbitration as hereinafter set forth. The matter shall be submitted to a board of three (3) arbitrators which shall be appointed, one by SOUTH BAY, one by NATIONAL CITY, and the third by the first two. The public agency desiring arbitration shall notify the other public agency by a written notice stating that it desires arbitration, that it has appointed its nominee, and that it requests the other public agency appoint its nominee. The other public agency shall, within thirty (30) days from the receipt of said notice, appoint its nominee. Within fifteen (15) days after the last public agency has appointed its nominee, the two nominees shall appoint the third. None of the arbitrators shall be a resident of or taxpayer in, or own property in, or have a place of business in, or be an officer or employee of, either public agency. The arbitration board shall hold at least one hearing and at least ten (10) days before said hearing shall give each public agency written notice thereof. In making such a division of the Sweetwater System, the arbitrators shall: (1) distribute to SOUTH BAY that portion of the water distribution system within SOUTH BAY; (2) distribute to NATIONAL CITY that portion of the water distribution system within NATIONAL CITY; (3) distribute jointly to SOUTH BAY and NATIONAL CITY undivided interests in water production facilities, major transmission facilities, and the remaining portions of the Sweetwater System in reasonable proportion to their respective distribution requirements and systems; (4) provide for the administration of the jointly owned facilities by SOUTH BAY; (5) give consideration to good utility operating practice in making the division so that water service may be continued by SOUTH BAY and NATIONAL CITY in an efficient and economical manner. Each public agency shall be given and opportunity to be heard and to present evidence. Upon conclusion of the hearing or hearings the arbitration board shall reduce their findings of fact, conclusions of law and the decision to writing, and shall sign the same and deliver one signed copy thereof to each public agency. Such decision shall be final and binding upon both public agencies. A majority finding shall govern if the arbitrator's determination is not unanimous. Each public agency shall pay its own expenses including the expenses of the arbitrator which it nominates. The expenses of the third arbitrator, and the administrative costs of the arbitration shall be shared equally. In all respects not
inconsistent with the forgoing, the proceedings shall be in accordance with Title 9 of Part 3 of the California Code of Civil Procedure (as amended from time to time).

SECTION 12. *No Franchise Charges*

Upon acquisition by lease agreement of the Sweetwater System, the SWEETWATER AUTHORITY shall have the exclusive right to supply water within SOUTH BAY and NATIONAL CITY and to operate, maintain, repair, construct and extend its water facilities therein for such purpose. Neither SOUTH BAY nor NATIONAL CITY shall levy a franchise charge against the SWEETWATER AUTHORITY.

SECTION 13. *Wells in National City*

The SWEETWATER AUTHORITY may drill and operate wells in National City to produce local groundwater in an amount not to exceed 10,000 acre feet per year. (As Amended 2001.)

SECTION 14. *Severability*

If any section, sub-section, sentence, clause or phrase of this Agreement, or the application thereof to either public agency or to any other person or circumstance, is for any reason held invalid, it shall be deemed severable and the validity of the remainder of the Agreement, or the application of such provision to the other public agency or to any other person or circumstance, shall not be affected thereby. Each public agency hereby declares that it would have entered into this Agreement, and each section, sub-section, sentence, clause and phrase thereof irrespective of the fact that one or more sections, sub-sections, clauses or phrases, or the application thereof to either public agency or to any other person or circumstance, might be held invalid.

SECTION 15. *Joint Powers Agreement of 1969*

The Joint Powers Agreement of 1969, dated January 28, 1969, between SOUTH BAY and NATIONAL CITY is superseded by this Agreement; provided, however, the provision of the 1969 Agreement to proceed jointly to acquire the Sweetwater System by eminent domain shall remain in full force and effect, as modified by this Agreement.

SECTION 16. *Disposition of Property*

The Authority shall sell or otherwise dispose of property only upon a five/seventh's vote of the Governing Board and only if:

(A) The property so sold or exchanged is non-operative, is not needed for the efficient and proper operation of the Water System, or, if such property be material or equipment, is worn out; and
(B) The consideration to be received for the property is the market value thereof; and

(C) If the market value of any such property shall, in the opinion of the Authority, exceed the amount of $425,000 times the ratio of the value of the Engineering News Record Construction Cost Index as of the next previous August 1 to the value of said index as of August 1, 1989, the Authority shall have been furnished an Engineer's Certificate certifying the market value of the property and further certifying that such property is non-operative, and is not needed for the efficient and proper operation of the Water System, or is worn out. To the extent required by the Resolution, the Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of properties which are a part of the Water System. (Amended 1990).