APPENDIX F. SMGB GROUNDWATER MANAGEMENT AGREEMENT
AGREEMENT REGARDING MANAGEMENT OF THE ARROYO GRANDE GROUNDWATER BASIN

A. Parties

This Agreement is entered into among the Cities of Arroyo Grande, Pismo Beach, Grover Beach and the Oceano Community Services District (collectively referred to hereinafter as “Parties” or “Urban Parties”).

B. Recitals

WHEREAS, in January 1983, a Technical Advisory Committee consisting of representatives of Arroyo Grande, Grover City, Pismo Beach, Oceano Community Services District, Port San Luis Harbor District, the Farm Bureau, Avila Beach County Water District and the County of San Luis Obispo (“Committee”) determined in reliance on the 1979 Report of the Department of Water Resources entitled Ground Water in the Arroyo Grande Area that the safe yield of the Arroyo Grande Groundwater Basin (“Basin”) is 9,500 acre feet per year;

WHEREAS, in or about February 1983, the Parties agreed to enter into a voluntary groundwater management plan to provide for effective management of groundwater resources in the Basin through which each party was given sufficient water to meet its needs as then projected; such needs being met in part by the City of Arroyo Grande foregoing 358 acre feet per year of its historical use and the City of Pismo Beach foregoing 20 acre feet per year of its historical use;

WHEREAS, this management plan provided a reasonable division of the safe yield of the Basin without court imposed groundwater basin adjudication;

WHEREAS, on February 9, 1983, the terms of the management plan were incorporated into Resolution No. 83-1 of the South San Luis Obispo County Water Association Approving the Recommendations of the Committee relating to the Basin (the “Resolution”);

WHEREAS, each of the Parties have adopted individual resolutions endorsing the provisions of the Resolution;

WHEREAS, the Parties have generally complied with the terms and conditions of the Resolution; and

WHEREAS, general compliance with the Resolution has proven to be a fair and efficient means of managing and protecting groundwater resources in the Basin as confirmed by the revised final draft report prepared by the Department of Water Resources entitled Water Resources of Arroyo Grande and Nipomo Mesa, January 2000.
NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Division of Safe Yield.
   a. The Parties agree to a division of the safe yield of the Basin as follows:
      
      | Applied Irrigation          | 3,300 acre feet |
      | Subsurface flow to ocean    | 200 acre feet  |
      | Urban Use:                  |                |
      | City of Arroyo Grande       | 1,202 acre feet|
      | City of Grover Beach        | 1,198 acre feet|
      | City of Pismo Beach         | 700 acre feet  |
      | Oceano Community Services District | 900 acre feet |

   b. Any increase or decrease in the safe yield of the Basin attributable to changed operation of the Lopez Reservoir, or any other cause, shall first be divided between the Urban Parties and applied irrigation on a pro rata basis using the formula from the 1983 Gentlemen’s Agreement, fifty-seven percent (57%) to applied irrigation and forty-three percent (43%) to the Urban Parties. Thereafter, the first 378 acre feet per year of any increase of safe yield allocated to the Urban Parties shall be divided between the City of Arroyo Grande and the City of Pismo Beach on a pro rata basis (95% to Arroyo Grande and 5% to Pismo Beach).

   c. The entitlements of each respective Urban Party may be increased based upon the conversion of irrigated agricultural lands to urban use. An Urban Party to this Agreement may increase its entitlement for urban use by a factor of three (3) acre feet per acre per year minus the calculated urban usage per acre per year upon the conversion of irrigated agricultural land to urban usage. “Irrigated agricultural land” shall be that land within the corporate limits of the party that was identified as irrigated agricultural land in the 1979 Department of Water Resources Report entitled Ground Water in the Arroyo Grande Area. This agricultural conversion factor may be applied to all acreage converted to urban use from January 1, 1983, throughout the life of this Agreement. Such an agricultural conversion factor is in the best interests of the overall Basin in that it will not result in any decline in the groundwater service over time. The Parties agree that no water should be converted to urban use within the Basin without establishing that it was irrigated agricultural land as defined in the 1979 Department of Water Resources Report, Groundwater in the Arroyo Grande Area.

   d. The Parties agree and understand that the safe yield figures utilized in this Agreement are a product of the 1979 Department of Water Resources Report regarding the Arroyo Grande Basin as adjusted by the 1983 ad hoc Technical Advisory Committee and that the division of the resources is based upon the historical use of each party and a practical accommodation of each Party’s needs as they existed at the time of the adoption of the 1983 Gentlemen’s Agreement.
agreement. It is agreed that the Parties will meet and confer on issues related to safe yield and division of existing water resources upon the final adoption of the new Arroyo Grande Basin study performed by the Department of Water Resources, which is currently in draft.

2. **Shared Information and Monitoring:** The Urban Parties to this Agreement shall freely share information with each other regarding each of their respective uses of groundwater in the Basin, including all pumping data such as amounts of water extracted, well static water levels, and water quality. The Urban Parties to this Agreement shall meet on a quarterly basis to share this information and to discuss water usage and impacts upon the Basin. The Parties shall conduct a review of water usage and the impacts on Basin hydrology in 2010 and 2020.

3. **Term:**

   a. This Agreement shall bind the Parties indefinitely absent a significant change of circumstances as to available water, water quality, or hydrogeology of the Arroyo Grande Basin. A significant change of circumstances shall allow any Party to opt out of this Agreement if the significant change of circumstances put that Party at risk of not being able to meet its potable water needs.

   b. Significant changed circumstances shall include changes within the Basin or outside of the Basin, including but not restricted to, a change in the Lopez Reservoir safe yield or an increase in Lopez Reservoir discharges for conservation purposes that threatens the ability of the Urban Parties to obtain their contractual allotments under their Lopez agreements, or a significant change in groundwater yields or quality, or a reduction in foreign water imported by any Urban Party. The Parties recognize that rainfall within the watershed is the most significant factor affecting the yield of Lopez Reservoir and the Basin.

   c. The Parties shall revisit the issue of the allocation of groundwater resources within the Arroyo Grande Basin in 2010 and 2020 in the context of the review provided for in section 2 of this Agreement. The Parties shall make new allocations of groundwater resources at that time if circumstances justify it and if no harm will result to other groundwater users. Priority shall be given to reallocation of historical use of groundwater to Arroyo Grande and Pismo Beach that those agencies chose not to pursue in the entering into of the original Gentlemen’s Agreement in 1983 should such new allocations be made.

   d. A Party may opt out of this Agreement if significant changed circumstances arise as defined in this section. Such a party shall give all other parties to the agreement not less than six months written notice of its intention to opt out. The written notice shall describe in detail the significant changed circumstances upon which the Party bases its election to opt out of the Agreement.

4. **Mediation Agreement:** The Parties agree to mediate any disputes that arise out of the Parties’ performance under this Agreement, or the interpretation of the terms of this Agreement, prior to instituting any litigation against or between any other Party to this Agreement. Should a Party institute litigation without first offering in good faith to mediate any such dispute, any Party may move for an order compelling mediation and staying the proceedings in the litigation until
after mediation has been completed. The prevailing party on a motion to compel mediation shall be entitled to recover its attorney’s fees against any resisting party or any party who filed litigation without first making a good faith attempt to mediate the dispute. This mediation requirement shall not apply where the health and safety of any of the Parties, or any of the Parties’ residents, is threatened and they must seek, and have obtained, preliminary relief for the purposes of preserving health and safety.

5. **No Third Party Beneficiaries:** The Parties are entering into this Agreement in order to reasonably allocate existing groundwater resources between themselves and not to benefit any third parties. This agreement shall only be enforceable between the Parties themselves. This Agreement does not create any right enforceable by any person or entity that is not a party to this Agreement.

6. **General Provisions:**

   a. The Parties warrant that all necessary approvals and authorizations have been obtained to bind them to all terms of this Agreement, and further warrant that the persons signing have authority to sign on behalf of their respective Parties.

   b. Written notice under this Agreement shall be given by placing such notice in the first class mail, postage prepaid, or by hand delivery to the current address of the office of any Party to this Agreement.

   c. No amendment to this Agreement will be binding on any of the Parties unless it is in writing and signed by an authorized representative of all of the Parties.

   d. This Agreement will be construed in accordance with, and governed by, the laws of the State of California as applied to contracts that are executed and performed entirely in California.

   e. If any provision of this Agreement is held invalid or unenforceable by any final judgment, it is the intent of the Parties that all other provisions of this Agreement be construed to remain fully valid, enforceable, and binding on the Parties.

   f. This Agreement may be executed simultaneously in one or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

   g. The Parties represent that prior to the execution of this Agreement, they consulted independent legal counsel of their own selection regarding the substance of this Agreement.
WHEREFORE, the Parties publicly consent to the terms and conditions of this Agreement by executing the same as set forth below.


City of Arroyo Grande

By:

\textit{Print Name and Title: MICHAEL A. LADY, MAYOR}


City of Pismo Beach

By:

\textit{Print Name and Title: MAYOR RUDY NATOLI}


City of Grover Beach

By:

\textit{Print Name and Title: }

Oceano Community Services District

By:

\textit{Print Name and Title: Board President}

Gentlemen, I agree to the terms of this Agreement.

Francis M. Cooney, Board Secretary

\textit{Print Name and Title: Board Secretary}
SUPERIOR COURT OF CALIFORNIA
COUNTY OF SANTA CLARA

SANTA MARIA VALLEY WATER CONSERVATION DISTRICT,

Plaintiff,

v.

CITY OF SANTA MARIA, ET AL.,

Defendants.

AND RELATED CROSS-ACTIONS AND ACTIONS CONSOLIDATED FOR ALL PURPOSES

SANTA MARIA GROUNDWATER LITIGATION
Lead Case No. 1-97-CV-770214

(CONсолИATED FOR ALL PURPOSES)

(Consolidated With Case Numbers:
CV 784900; CV 785509; CV 785522;
CV 787150; CV 784921; CV 785511;
CV 785936; CV 787151; CV 784926;
CV 785515; CV 786791; CV 787152;
1-05-CV-056410)

San Luis Obispo County Superior Court Case Nos. 990738 and 990739.

JUDGMENT AFTER TRIAL

This matter came on for trial in five separate phases. Following the third phase of trial,
a large number of parties entered into a written stipulation dated June 30, 2005 to resolve their
differences and requested that the court approve the settlement and make its terms binding on
them as a part of any final judgment entered in this case. Subsequent to the execution of the
stipulation by the original settling parties, a number of additional parties have agreed to be
bound by the stipulation – their signatures are included in the attachments to this judgment.
The June 30, 2005 Stipulation is attached as Exhibit “1;” and all exhibits to the
Stipulation are separately attached as Exhibits “1A” through “1H”. The Stipulating Parties are
identified on Exhibit “1A.” The court approves the Stipulation, orders the Stipulating Parties
only to comply with each and every term thereof, and incorporates the same herein as though
set forth in full. No non-stipulating party is bound in any way by the stipulation except as the
court may otherwise independently adopt as its independent judgment a term or terms that are
the same or similar to such term or provision of the stipulation.

As to all remaining parties, including those who failed to answer or otherwise appear,
the court heard the testimony of witnesses, considered the evidence found to be admissible by
the court, and heard the arguments of counsel. Good cause appearing, the court finds and
orders judgment as follows.

As used in this Judgment, the following terms shall have the meanings herein set forth:

*Basin* – The groundwater basin described in the Phase I and II orders of the court, as
modified, with attachments and presented in Exhibit “1B”.

*Defaulting Parties* – All persons or entities listed on Exhibit “3”.

*Imported Water* – Water within the Basin received from the State Water Project,
originating outside the Basin, that absent human intervention would not recharge or be used in
the Basin.

*LOG Parties* – All persons or entities listed on Exhibit “2,” listed under the subheading
“LOG Parties”.

*Non-Stipulating Parties* – All Parties who did not sign the Stipulation, including the
Defaulting Parties and the LOG and Wineman Parties.

*Parties* – All parties to the above-referenced action, including Stipulating Parties, Non-
Stipulating Parties, and Defaulting Parties.

*Public Water Producers* – City of Santa Maria, Golden State Water Company, Rural
Water Company, the “Northern Cities” (collectively the Cities of Arroyo Grande, Pismo
Beach, and Grover Beach, and Oceano Community Services District), and the Nipomo
Community Services District.

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Return Flows – All water which recharges the Basin after initial use, through the use of
percolation ponds and others means, derived from the use and recharge of imported water
delivered through State Water Project facilities.

Stipulating Parties – All Parties who are signatories to the Stipulation.

Stipulation – The Stipulation dated June 30, 2005 and incorporated herein as Exhibit
“1,” with each of its Exhibits separately identified and incorporated herein as Exhibits “1A”
through “1H”.

Storage Space – The portion of the Basin capable of holding water for subsequent
reasonable and beneficial uses.

Wineman Parties – All persons or entities listed on Exhibit “2,” under the subheading
“Wineman Parties”.

The following Exhibits are attached to this Judgment:

1. Exhibit “1,” June 30, 2005 Stipulation and the following exhibits thereto:
   a. Exhibit “1A,” list identifying the Stipulating Parties and the parcels of
      land bound by the Stipulation.
   b. Exhibit “1B,” Phase I and II Orders, as modified, with attachments.
   c. Exhibit “1C.” map of the Basin and boundaries of the three
      Management Areas.
   d. Exhibit “1D,” map identifying those lands as of January 1, 2005: 1) within
      the boundaries of a municipality or its sphere of influence, or within the process of
      inclusion in its sphere of influence; or 2) within the certificated service area of a publicly
      regulated utility; and a list of selected parcels that are nearby these boundaries which are
      excluded from within these areas.
   e. Exhibit “1E,” 2002 Settlement Agreement between the Northern Cities
      and Northern Landowners.
   f. Exhibit “1F,” the agreement among Santa Maria, Golden State and
      Guadalupe regarding Twitchell Project and the Twitchell Management Authority.
   g. Exhibit “1G,” the court’s Order Concerning Electronic Service of

2. Exhibit “1H,” the form of memorandum of agreement to be recorded.

3. Exhibit “2,” List of Non-Stipulating LOG and Wineman Parties and recorded deed numbers of property they owned at the time of trial.


A declaratory judgment and physical solution are hereby adjudged and decreed as follows:

1. As of the time of trial, LOG and Wineman Parties owned the real property, listed by assessor’s parcel numbers, as presented in Exhibit 2.

2. The City of Santa Maria and Golden State Water Company are awarded prescriptive rights to ground water against the non-stipulating parties, which rights shall be measured and enforced as described below.

3. The City of Santa Maria and Golden State Water Company have a right to use the Basin for temporary storage and subsequent recapture of the Return Flows generated from their importation of State Water Project water, to the extent that such water adds to the supply of water in the aquifer and if there is storage space in the aquifer for such return flows, including all other native sources of water in the aquifer. The City of Santa Maria’s Return Flows represent 65 percent of the amount of imported water used by the City. Golden State Water Company’s Return Flows represent 45 percent of the amount of imported water used by Golden State in the basin.

4. (a) The Northern Cities have a prior and paramount right to produce 7,300 acre-feet of water per year from the Northern Cities Area of the Basin; and (b) the Non-Stipulating Parties have no overlying, appropriative, or other right to produce any water supplies in the Northern Cities Area of the Basin.

5. The Groundwater Monitoring Provisions and Management Area Monitoring Programs contained in the Stipulation, including Sections IV(D) (All Management Areas); V(B) (Santa Maria Management Area), VI(C) (Nipomo Mesa Management Area), and VII (I) (Northern Cities Management Area), inclusive, are independently adopted by the court as

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necessary to manage water production in the basin and are incorporated herein and made terms
of this Judgment. The Non-Stipulating Parties shall participate in, and be bound by, the
applicable Management Area Monitoring Program. Each Non-Stipulating Party also shall
monitor their water production, maintain records thereof, and make the data available to the
court or its designee as may be required by subsequent order of the court.
6. No Party established a pre-Stipulation priority right to any portion of that
increment of augmented groundwater supply within the Basin that derives from the Twitchell
Project’s operation.
7. The court determines that there is a reasonable likelihood that drought and
overdraft conditions will occur in the Basin in the foreseeable future that will require the
exercise of the court’s equity powers. The court therefore retains jurisdiction to make orders
enforcing the rights of the parties hereto in accordance with the terms of this judgment.
   a. Groundwater
      i. The overlying rights of the LOG and Winema Parties shall be
adjusted by amounts lost to the City of Santa Maria and Golden State Water Company by
prescription. The prescriptive rights of the City of Santa Maria and Golden State Water
Company must be measured against the rights of all overlying water producers pumping in the
aquifer as a whole and not just against the LOG and Wineman Parties because adverse
pumping by the said water producers was from the aquifer as a whole and not just against the
non-stipulating parties. The City of Santa Maria established total adverse appropriation of
5100 acre feet per year and Golden State Water Company established adverse appropriation of
1900 acre feet a year, measured against all usufructuary rights within the Santa Maria Basin.
The City of Santa Maria and Golden State Water Company having waived the right to seek
prescription against the other stipulating parties, may only assert such rights against the non
stipulating parties in a proportionate quantity. To demonstrate the limited right acquired by
the City of Santa Maria and Golden State Water Company, by way of example, if the
cumulative usufructuary rights of the LOG and Wineman Parties were 1,000 acre-feet and the
cumulative usufructuary rights of all other overlying groundwater right holders within the
Basin were 100,000 acre-feet, the City of Santa Maria and Golden State Water Company
would each be entitled to enforce 1% of their total prescriptive right against the LOG and
Wineman Parties. That is, Golden State Water Company could assert a prescriptive right of
19 annual acre-feet, and the City of Santa Maria 51 annual acre-feet, cumulatively against the
LOG and Wineman Parties, each on a proportionate basis as to each LOG and Wineman
Party’s individual use.

ii. The Defaulting Parties failed to appear at trial and prove any
usufructuary water rights. The rights of the Defaulting Parties, if any, are subject to the
prescriptive rights of the City of Santa Maria and Golden State Water Company, as well as the
other rights of said parties as established herein.

b. Imported Water

The City of Santa Maria and Golden State Water Company shall have rights to Return
Flows in the amount provided above.

c. Northern Cities

The rights of all Parties in the Northern Cities Management Area shall be governed as
described above on page 4, lines 21 to 24.

8. The LOG and Wineman Parties have failed to sustain the burden of proof in
their action to quiet title to the quantity of their ground water rights as overlying owners. All
other LOG and Wineman party causes of action having been dismissed, judgment is hereby
entered in favor of the Public Water Producers as to the quiet title causes of action brought by
the LOG and the Wineman Parties. Legal title to said real property is vested in the Log and
Wineman Parties and was not in dispute in this action.

9. Each and every Party, their officers, agents, employees, successors and assigns,
are enjoined and restrained from exercising the rights and obligations provided through this
Judgment in a manner inconsistent with the express provisions of this Judgment.

10. Except upon further order of the court, each and every Party and its officers,
agents, employees, successors and assigns, is enjoined and restrained from transporting
groundwater to areas outside the Basin, except for those uses in existence as of the date of this
Judgment; provided, however, that groundwater may be delivered for use outside the Basin as
long as the wastewater generated by that use of water is discharged within the Basin, or
agricultural return flows resulting from that use return to the Basin.

11. Jurisdiction, power and authority over the Stipulating Parties as between one
another are governed exclusively by the Stipulation. The court retains and reserves
jurisdiction as set forth in this Paragraph over all parties hereto. The court shall make such
further or supplemental orders as may be necessary or appropriate regarding interpretation and
enforcement of all aspects of this Judgment, as well as clarifications or amendments to the
Judgment consistent with the law.

12. Any party that seeks the court’s exercise of reserved jurisdiction shall file a
noticed motion with the court. Any noticed motion shall be made pursuant to the court’s
Order Concerning Electronic Service of Pleadings and Electronic Posting of Discovery

13. The court shall exercise de novo review in all proceedings. The actions or
decisions of any Party, the Monitoring Parties, the TMA, or the Management Area Engineer
shall have no heightened evidentiary weight in any proceedings before the court.

14. As long as the court’s electronic filing system remains available, all court
filings shall be made pursuant to court’s Order Concerning Electronic Service of Pleadings
and Electronic Posting of Discovery Documents dated June 27, 2000, or any subsequent
superseding order. If the court’s electronic filing system is eliminated and not replaced, the
Parties shall promptly establish a substitute electronic filing system and abide by the same
rules as contained in the court’s Order.

15. Nothing in this Judgment shall be interpreted as relieving any Party of its
responsibilities to comply with state or federal laws for the protection of water quality or the
provisions of any permits, standards, requirements, or order promulgated thereunder.

16. Each Party shall designate the name, address and e-mail address, if any, to be
used for purposes of all subsequent notices and service by a designation to be filed within
thirty days after entry of this Judgment. This designation may be changed from time to time.

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by filing a written notice with the court. Any Party desiring to be relieved of receiving notices
may file a waiver of notice on a form approved by the court. The court shall maintain at all
times a current list of Parties to whom notices are to be sent and their addresses for purposes
of service. The court shall also maintain a full current list of names, addresses, and e-mail
addresses of all Parties or their successors, as filed herein. Copies of such lists shall be
available to any Person. If no designation is made, a Party's designee shall be deemed to be, in
order of priority: i) the Party's attorney of record; ii) if the Party does not have an attorney of
record, the Party itself at the address specified.

17. All real property owned by the Parties within the Basin is subject to this
judgment. The judgment will be binding upon and inure to the benefit of each Party and their
respective heirs, executors, administrators, trustees, successors, assigns, and agents. Any
party, or executor of a deceased party, who transfers property that is subject to this judgment
shall notify any transferee thereof of this judgment and shall ensure that the judgment is
recorded in the line of title of said property. This judgment shall not bind the Parties that
disable to own property within the Basin, and cease to use groundwater. Within sixty days
following entry of this Judgment, the City of Santa Maria, in cooperation with the San Luis
Obispo entities and Golden State, shall record in the Office of the County Recorder in Santa
Barbara and San Luis Obispo Counties, a notice of entry of Judgment.

The Clerk shall enter this Judgment.

SO ORDERED, ADJUDGED, AND DECREED.

Dated: January 25, 2008

[Signature]
Judge of the Superior Court

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