APPENDIX C

COOPERATIVE AGREEMENT
BETWEEN THE CITY OF BEAUMONT AND THE
BEAUMONT CHERRY VALLEY WATER DISTRICT

THIS COOPERATIVE AGREEMENT (the "Agreement") is made and entered into as of March 8, 1993, by and between the CITY OF BEAUMONT, a municipal corporation and public agency of the State of California (hereinafter the "City") and the BEAUMONT CHERRY VALLEY WATER DISTRICT, a public agency organized and existing pursuant to Division 11 (commencing with Section 20500) of the California Water Code (hereinafter the "District").

RECITALS

A. The City and the District recognize the need to facilitate implementation of the City General Plan and Public Facilities Financing Program to insure logical and orderly development within the City and the service areas of the District.

B. The City and the District likewise recognize the need to cooperate in a long-term program to maintain safe groundwater management practices in the service area of the District and recognize the need to establish funding mechanisms to provide for the acquisition and development of new sources of water supply, including reclaimed water and imported water, in such a way as to protect and preserve the existing water supply.

C. To such end the City is contemplating the formation of a public financing district, and specifically proceedings for the formation of Community Facilities District No. 93-1 (hereinafter referred to as "CFD No. 93-1"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Section 53311 et seq. of the California Government Code (hereinafter the "Act"), for the purpose of financing the acquisition and construction of certain public facilities to benefit an area of land proposed for development designated as the Project Area, as shown on Exhibit "A" hereto, within the boundaries of the City, which facilities include domestic and reclaimed water facilities and sewer facilities (the "Facilities"), as described in Exhibit "B" to this Agreement.

D. The proceedings to establish CFD No. 93-1 shall include a special election in which the qualified electors will be asked to authorize formation of CFD No. 93-1 and the sale of bonded indebtedness secured by a special tax therein to fund, inter alia, debt service on such bonded indebtedness. It is contemplated that bonds will be issued pursuant to a Fiscal Agent Agreement or Bond Indenture approved by CFD No. 93-1.

E. In contemplation of the issuance and sale of bonds, it is expected that several of the developers within CFD No. 93-1 will be required to advance moneys for the purpose of financing the design and engineering of certain public facilities and the payment of certain costs of the City and the District, including their respective consultants.

F. The City and the District each have an interest in and recognize the need for the Facilities and express their intent to enter into an agreement (the "Joint Financing Agreement") pursuant to Sections 53316.2, 53316.4 and 53316.6 of the Act describing, inter alia, the terms and parameters related to the design and construction of such facilities and the transfer of such facilities to the District which will own, operate and manage such facilities.

G. The City and the District acknowledge that in addition to the Facilities, the development plans for the area within CFD No. 93-1 may include the construction of additional water, reclaimed water and sewer facilities, which may be an integral component to the utilization of the Facilities.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained the parties agree as follows:

1. Cooperation to Facilitate Orderly Growth. The City and the District shall cooperate to implement mutually beneficial plans and programs to insure logical and orderly economic development in the City and the City sphere of influence, and safe groundwater management practices in the service area of the District. Such plans and programs shall include, but not limited to, the following:

City General Plan

City Comprehensive Public Facilities Financing Program

District groundwater management programs and facility master plans

City and District mitigation fee programs

2. Interim Mitigation Fees and Phasing Schedule. The City and the District shall adopt and impose interim mitigation fees (the "Interim Mitigation Fees") in accordance with the schedule of fees and list of authorized facilities and new sources of water supply indicated below. The Interim Mitigation Fees shall provide the financial basis to master plan, design, process, permit and construct water importation, water distribution, wastewater treatment and water reclamation

facilities until such time as definitive Mitigation Fees are established. The calculations for the following fees are shown on Exhibit C attached hereto.

Interim Mitigation Fees

City Sewer Fees	
Capacity Fee	$2,772 per EDU
Trunk Main	525 per EDU
District Water Fees	
Facility Fee[1]	2,065 per EDU
Reclamation Fee	376 per EDU
New Imported Water Fee[2]	386 per EDU

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[1] Existing Fee

[2] New imported water exceeding the existing San Gorgonio Pass Water Agency entitlement of 17,300 acre feet of State Water Project water per year

Interim Authorized Facilities and New Sources of Water Supply

Responsible Agency	Source of Supply
District	Existing Water Reclamation
District	Imported Water
District	New Water Reclamation

3. Definitive Mitigation Fees and Phasing Schedule. Within eighteen (18) months following the first bond sale of CFD No. 93-1 and adoption of Interim Mitigation Fees, the City and the District shall initiate detailed studies and adopt definitive mitigation fees and phasing schedule (the "Definitive Mitigation Fees and Phasing Schedule") for water importation, water distribution, wastewater treatment and water reclamation facilities as required to serve land within CFD No. 93-1. Consideration shall also be given and mitigation fees adopted throughout the City to accommodate development in accordance with the City General Plan and the District Master Facilities Plan. Mitigation Fees shall be collected in accordance with mitigation and development agreements between property owners and applicable public agencies or may be paid by public financing districts through the sale of bonds, which will be repaid by property

owners participating in such financing districts through the collection of special taxes or assessments.

4. Joint Financing Agreement. The District shall cooperate with the City in the formation of public financing districts by entering into a Joint Financing Agreement, pursuant to Sections 53316.2, 53316.4 and 53316.6 of the Act, or a Utility Agreement, pursuant to Section 10110 of the California Streets and Highways Code, as applicable, relating to facilities which will be financed by the City and transferred to the District which will own, operate and maintain such facilities.

5. Mitigation Fee Credits. Mitigation Fees (excluding annexation fees) shall be waived, reduced and/or credited by the District for the benefit of property participating in any public financing district for facilities for which such Mitigation Fees are collected, to the extent the property provides security for obligations (i.e. bonds, BANs) issued by such public financing district, or as otherwise provided by Development Agreements between individual landowners and the respective water and sewer agencies.

6. Mandatory Reclaimed Water Use. City shall adopt an ordinance which will require the use of reclaimed wastewater for irrigation purposes in accordance with State law within six (6) months of the sale of bonds to construct the treatment plant modifications necessary to deliver reclaimed water. District shall, within said six (6) month period, develop and adopt applicable rules, regulations and standards governing the design, construction and operation of reclaimed water facilities.

7. Mandatory Water Conservation. City shall adopt an ordinance which will require the conservation of water in accordance with District policies within six (6) months of the first sale of bonds for the facilities to be constructed by CFD No. 93-1.

8. Reclaimed Water Purchase Agreement. The City shall direct its City Manager and the District shall direct its General Manager to negotiate and prepare a Reclaimed Water Purchase Agreement which shall be presented to the City Council and the Board of the District for approval within eighteen (18) months of the approval and execution of this Agreement. The Water Purchase Agreement shall establish water quality criteria in accordance with Santa Ana State Regional Water Quality Control Board ("Regional Board") directives. Consideration for reclaimed water shall be based on a percentage of net revenues received by District, net of operation, maintenance and depreciation costs related to the District reclaimed water distribution system. The City shall use all revenue from reclaimed water sales to establish a restricted account for improvements to the wastewater treatment plant in accordance with Regional Board directives.

9. Interim Financing. The City and the District shall cooperate to obtain interim financing to purchase imported water supplies and/or facilities as required by the District to serve land within CFD No. 93-1. Such interim financing sources may include the use of bond anticipation notes ("BANs") issued by the City prior to the scheduled issuance of bonds of CFD No. 93-1. Such interim financing shall (i) result in mitigation fee credits to the properties obligated for the payment of special taxes which secure such interim financing to the same extent as are other costs funded in the bond program and (ii) be subject to repayment in full from proceeds of CFD No. 93-1 bonds.

10. Annexation to the District and Water Connection Permits. At the time of annexation to the District, participating properties in CFD No. 93-1 shall enter into an annexation agreement with the District establishing terms and conditions for service. Following the funding of the facilities identified in Section 2 and Exhibit "B" of this Agreement and/or the payment of Mitigation Fees described in Sections 2 and 3 hereof, the District will unconditionally reserve appropriate water connection permits for the sole use of properties participating in CFD No. 93-1 on a pro rata basis to the extent that participating CFD No. 93-1 property owners have funded such facilities through the sale of bonds, payment of Mitigation Fees or other source of financing, as established in the annexation agreement.

11. Issuance of "Will Serve" Letters by District. Upon execution of this Agreement by all parties, the District will issue an unconditional "will serve" letter to the City for new EDUs required to serve projects participating in CFD No. 93-1. The District "will serve" letter will only be restricted in accordance with the terms of this Agreement and applicable District policies.

12. No Challenge to CFD No. 93-1 Formation. The District agrees not to challenge in any manner the formation of CFD No. 93-1 or the imposition of the special tax established therein by the City during validation proceedings, if such proceedings are utilized, or otherwise.

13. District Costs to Prepare Agreement. The City shall reimburse the District for consultant services costs incurred in the review and approval of this Agreement in the event that CFD No. 93-1 bonds are not sold.

14. Reference to Related Agreement. The City and the District acknowledge that there are provisions which must be agreed to between the City, the District and the San Gorgonio Pass Water Agency (the "Agency") with regard to the completion of regional facilities, the imposition of capacity charges, as well as potential alternative financing procedures for the completion of regional facilities. These provisions are incorporated in a

separate agreement between the City, the District and the Agency, and to the extent the terms of this Agreement impact the Agency, such terms are made subject to the terms of such separate agreement.

15. CEQA Proceedings. The City, the District and the Agency recognize and acknowledge that before the construction of any new facilities may be approved, there must be conducted appropriate proceedings under the California Environmental Quality Act ("CEQA") to determine the environmental impact of the project and, based upon that impact, or lack thereof, whether or not the project should be approved. In entering into this Agreement, the parties have not prejudged the potential outcome of the CEQA proceedings, but are reaching accord in the event the plan receives CEQA approval.

16. Notice. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to any party or other person shall be deemed to have been received when personally delivered or seventy-two hours following deposit of the same in any United States Post Office in California, first class, postage prepaid, addressed as follows:

City: City of Beaumont
550 E. Sixth Street
P.O. Box 158
Beaumont, California 92223
Attn: Dayle Keller, City Manager
Tel: (909) 845-1171
FAX: (909) 845-8483

District: Beaumont Cherry Valley Water District
560 Magnolia Ave.
P.O. Box 2037
Beaumont, California 92223
Attn: Chuck Butcher, General Manager
Tel: (909) 845-9581
FAX: (909) 845-0159

Either party may change its address for delivery of notice by delivering written notice of such change of address to the other parties.

17. Captions. Captions to Sections of this Agreement are for convenience purposes only and are not part of this Agreement.

18. Severability. If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable, such portion shall be deemed severed from this Agreement and the remaining parts shall remain in full effect as though such invalid or unenforceable provision had not been a part of this Agreement.

19. No Third Party Beneficiaries. The parties do not intend the benefits of this Agreement to inure to any third party, nor shall any of this Agreement be construed or make or render the City, the District or the Agency liable to any materialman, supplier, contractor, subcontractor, or purchaser, or for debts or claims accruing to any such persons. Notwithstanding anything to the contrary contained herein or in any document executed in connection with this transaction, or any conduct or course of conduct by any party hereto, before and after signing, this Agreement shall not be construed as creating any claim, right or cause or action against the City, the District, the Agency, or their respective officers, directors, agents, administrators, engineers, consultants, or employees in favor of any materialman, supplier, contractor, subcontractor or purchaser, or the like.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

21. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the matters provided herein.

22. Amendments. This Agreement may be amended or modified only in writing signed by the parties hereto.

23. Exhibits. The following exhibits attached hereto are incorporated into this Agreement by reference.

Exhibit	Description
"A"	Map of Project Area
"B"	Water, Reclaimed Water and Sewer Facilities Description and Budget

24. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year indicated below.

CITY OF BEAUMONT

By: _____
Mayor of the City of Beaumont

DATED: March 8, 1993

ATTEST:

By: _____ (Deputy)
City Clerk of the City of Beaumont

BEAUMONT CHERRY VALLEY WATER DISTRICT

By: _____
Name:
Title:

DATED: March 8, 1993

ATTEST:

By: _____
Name:
Title:

EXHIBIT "A"

MAP OF PROJECT AREA

EXHIBIT "A"

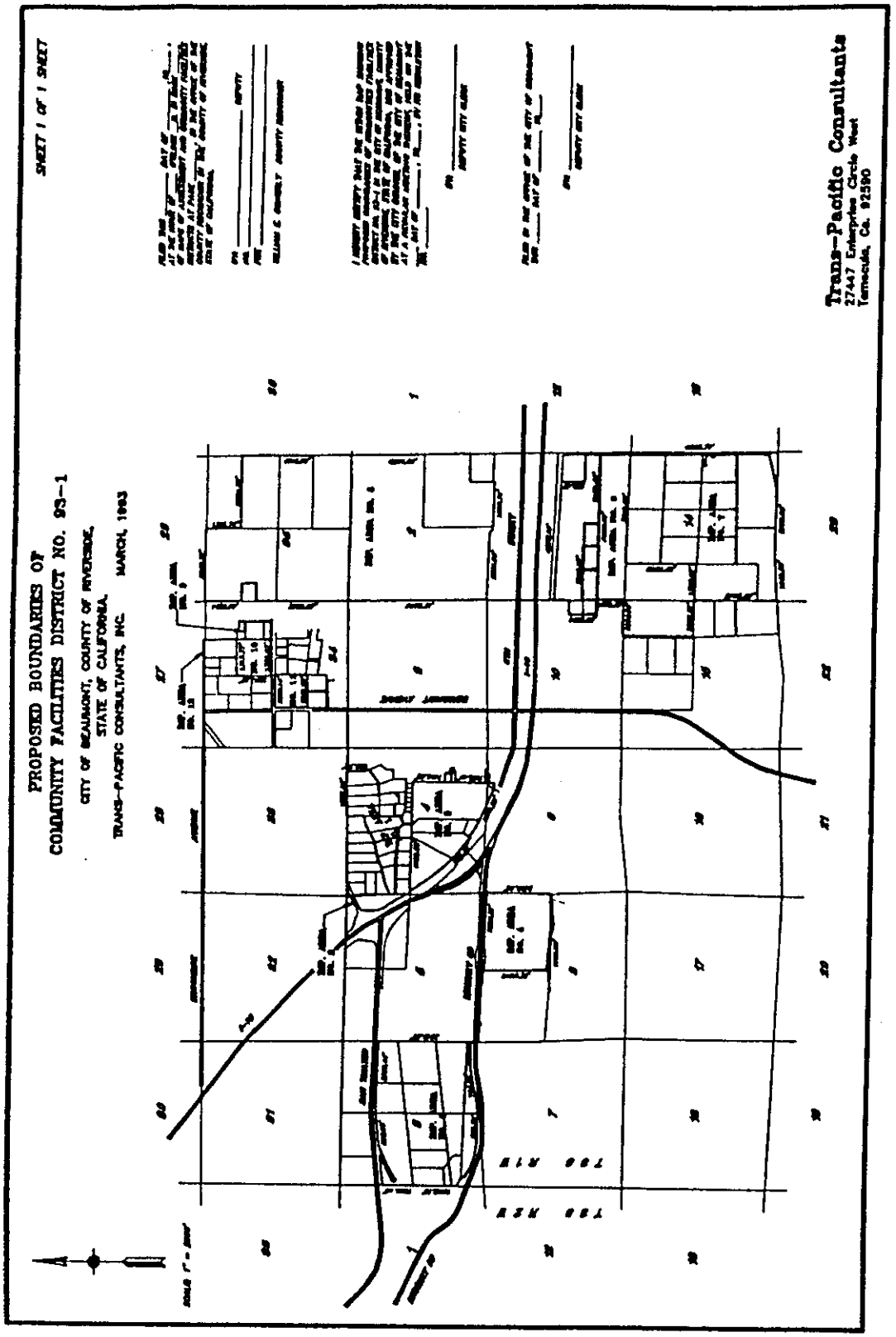
SHEET 1 OF 1 SHEET
PROPOSED BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. 93-1
CITY OF BEAUMONT, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA
TRANS-PACIFIC CONSULTANTS, INC.
MARCH, 1993
Trans-Pacific Consultants
27447 Enterprise Circle West
Temecula, Ca. 92590

EXHIBIT "B"

WATER, RECLAIMED WATER AND SEWER FACILITIES
DESCRIPTION AND BUDGET

BEAUMONT CHERRY VALLEY WATER DISTRICT

1. Imported Sources of Water

2. Master-Planned Potable Water Facilities

   a. Transmission Mains

   b. Storage Reservoirs

   c. Pump Stations

   d. Reduction Stations

   e. Production Wells

   f. Appurtenances

   g. Master Plans and Facility Design

   h. Treatment Facilities

3. Master-Planned Reclaimed Water Facilities

   a. Transmission Mains

   b. Storage Reservoirs

   c. Pump Stations

   d. Injection Wells

   e. Spreading Basins

   f. Appurtenances

   g. Master Plans and Facility Design