JOINT EXERCISE OF POWERS AGREEMENT

CREATING THE

WATER FACILITIES AUTHORITY

San Bernardino County, California

EXHIBIT A

FULL COPY

JOINT EXERCISE OF POWERS AGREEMENT
CREATING THE
WATER FACILITIES AUTHORITY

San Bernardino County, California

THIS AGREEMENT is made and entered into as of the 19th day of February, 1980, by and between the following parties:

(a) Chino Basin Municipal Water District (herein "Chino Basin").

(b) Monte Vista County Water District (herein "Monte Vista").

(c) Cucamonga County Water District (herein "Cucamonga").

(d) City of Chino (herein "Chino").

(e) City of Ontario (herein "Ontario").

(e) City of Upland (herein "Upland").

R E C I T A L S :

A. The parties to this agreement hereto have and possess the power and authorization to acquire and construct facilities to supply water to the inhabitants and lands within their respective boundaries.

B. Each of the parties has a present and future need for facilities to treat and distribute water for use within its boundaries.

C. Each of the parties is authorized to contract with each other for the joint exercise of any common power under Article I, Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

COVENANTS

In consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

PURPOSES AND POWERS

1. Agency Created. There is hereby created a public entity to be known as the "Water Facilities Authority". The Authority is formed by this agreement pursuant to the provisions of Article I, Chapter 5, Division 7, Title 1 (commencing at Section 6500) of the Government Code of the State of California. The Authority shall be a public entity separate from the parties hereto.

2. Purpose of the Agreement; Common Power to be Exercised. Each member has in common the power to plan for, acquire, construct, maintain, repair, manage, operate and control facilities to supply the inhabitants and lands within their respective boundaries with water for irrigation, domestic and municipal purposes. The purpose of this agreement is to jointly exercise the foregoing common powers in the manner hereinafter set forth.

3. Powers. The Authority shall have the power in its own name to do any of the following:

(a) To exercise jointly the common powers of its members in studying and planning ways and means to provide facilities for the treatment and distribution of water to the members.

(b) To prepare and support legislation that may be necessary to carry out this agreement.

(c) To make and enter into contracts.

(d) To contract for the services of engineers, attorneys, planners, financial consultants, and to employ such other persons, as it deems necessary.

(e) To acquire, construct, manage, maintain and operate facilities or structures necessary to carry out the purposes of this agreement.

(f) To acquire, hold and dispose of property.

(g) To incur debts, liabilities, or obligations subject to limitations herein set forth.

(h) To sue and be sued in its own name.

(i) To apply for an appropriate grant or grants under any Federal, State or local programs for assistance in developing any of its programs subject to the limitations herein set forth.

In exercising the foregoing powers the Authority is subject to the restrictions upon the manner of exercising the powers of Chino Basin.

4. Definitions. For the purpose of this agreement, the following words shall have the following meanings:

(a) "Agreement" means this joint exercise of powers agreement.

(b) "Authority" means the Water Facilities Authority formed pursuant to this agreement.

(c) "Board" or "Board of Directors" means the governing body of the Authority.

(d) "Director" means any director or alternate representing a member.

(e) "Member" or "Party" means each of the parties that become a signatory to this agreement, including any public entity executing an addendum of the original agreement as hereinafter provided.

(f) "Original Member" or "Original Party" means Chino Basin, Monte Vista, Cucamonga, Chino, Ontario and Upland.

(g) "Participating Member" means a member that has or will acquire rights and assume obligations in connection with a particular project.

(h) "Participating Director" means the director or alternate representing a participating member.

(i) "Fiscal Year" means January 1st to and including the following December 31st.

(j) "Facility", "Facilities" or "Project" means any building, works or improvements acquired or constructed by the Authority to carry out the purposes of this agreement.

(k) "Project committee" means the directors ("participating directors") representing members who are participants in the planning and implementation of a project ("participating members").

ORGANIZATION

5. Membership. The members of the Authority shall be the original parties hereto and such other public entities as may execute this agreement or any addendum hereto as provided in Section 37, and which have not, pursuant to the provisions hereof, withdrawn herefrom.

6. Names. The names, particular capacities, and addresses of the members at any time shall be as set forth in this agreement and in any addendum hereto or in any amendment hereof or of any such addendum.

7. Designation of Directors. Within thirty (30) days after the execution of this agreement by all of the original members, each member shall designate and appoint, by resolution of its governing body, one member of its governing body to act as its director on the board. Each member shall also appoint one alternate director, who may but need not be a member of the governing body, whose name shall be on file with the board and who may assume all rights and duties of the absent director representing the appointing member. Each director and alternate shall hold office from the first meeting of the board after his appointment by the governing body he represents until his successor is selected. Directors and alternates shall serve at the pleasure of the governing body of the appointing members and may be removed at any time, with or without cause, at the sole discretion of such governing body. A director or alternate may receive such

compensation from the Authority for his services as may from time to time be established by the board; provided, however, the per diem compensation shall not exceed $50 and the maximum monthly compensation for each director or alternate shall not exceed $100. A director or alternate may be reimbursed for reasonable expenses incurred by him in the conduct of the business of the Authority.

8. Principal office. As provided by law, the principal office of the Authority shall be designated by the board. The board is hereby granted full power and authority to change said principal office from one location to another within the boundaries of one of the members. Any change of the principal office shall be noted by the secretary in the margin opposite this section but shall not be considered an amendment to this agreement.

9. Meetings. The board shall meet at the principal office of the Authority or at such other place as may be designated by the board. The time and place of regular meetings of the board shall be determined by resolution adopted by the board, a copy of such resolution shall be furnished to each party hereto. Meetings of project committees shall be deemed to be meetings of the board and shall be open to all directors. Regular, adjourned and special meetings shall be called and held in the manner as provided in Chapter 9, Division 2, Title 5 of the Government Code of the State of California (commencing at Section 54950).

10. Quorum. A majority of the directors or, in the case of a project committee, a majority of the participating directors, shall constitute a quorum for the purpose of the transaction of business relating to the Authority or to a project, as the case may be. Unless otherwise herein provided action can be taken at any meeting of the board by the vote of a majority of the directors and action can be taken at any meeting of a project committee by a majority of the participating directors.

11. Powers and Limitations Thereon. All of the power and authority of the Authority shall be exercised by the board, subject, however, to the reserved right of the members as herein set forth. Unless otherwise provided herein, each director or participating director shall be entitled to one vote and a vote of the majority of those qualified to vote shall be sufficient for the adoption of any motion, resolution or order and to take any other action deemed appropriate to carry forward the objectives of the Authority or of a project committee.

12. Minutes. The secretary of the Authority shall cause to be kept minutes of regular, adjourned regular and special meetings of the board, and shall cause a copy of the minutes to be forwarded to each director and to each of the members hereto.

13. Rules. The board may adopt from time to time such rules and regulations for the conduct of its affairs as it may deem necessary.

14. Assent of Members. The assent or approval of a member in any matter requiring the approval of the governing body of the member shall be evidenced by a certified copy of the resolution of the governing body filed with the Authority.

15. Officers. There shall be selected from the membership of the board, a chairman and a vice chairman. The board shall appoint a secretary who may be a director. The board, by a vote of two-thirds of all directors, shall appoint one of its officers or employees to serve in the combined office of treasurer and auditor or the board shall appoint two such persons to the separate offices of treasurer and auditor. The treasurer shall be the depositary and have custody of all money of the Authority from whatever source. The auditor shall draw all warrants and pay demands against the Authority approved by the board. In addition, the board shall have the power to appoint such additional officers as it deems necessary. The treasurer and auditor designated may be changed only by the vote of two-thirds (2/3rds) of all of the directors. The chairman, vice chairman, and secretary shall hold office for a period of one year commencing January 1st of each fiscal year; provided, however, the first chairman, vice chairman and secretary appointed shall hold office from the date of appointment to December 31st of the ensuing fiscal year. Any officer, employee or agent of the board may also be an officer, employee or agent of any of the members. The public officer

or officers or persons who have charge of, handle, or have any access to any property of the Authority shall be bonded and the amount of their bond shall be designated and fixed in the budget for each fiscal year.

All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workmen's compensation and other benefits which apply to the activity of officers, agents, or employees of any of the members when performing their respective functions shall apply to them to the same degree and extent while engaged in the performance of any of the functions and other duties under this agreement. None of the officers, agents, or employees appointed by the board shall be deemed by reason of their employment by the board to be employed by any of the members or subject to any of the requirements of such members.

BUDGETS AND PAYMENTS

16. General Budget. Within sixty (60) days after the first meeting of the board, a general budget for the balance of the fiscal year and the ensuing fiscal year shall be adopted by the vote of at least two-thirds (2/3rds) of all of the directors. The initial budget and each succeeding budget shall include but not be limited to the following: (a) the general administrative expenses of the Authority to be incurred during the period covered by the budget; and (b) the allocation among the members of the amounts necessary to

cover the general budget expenditures. After the first full fiscal year, at or prior to each November meeting of the board, a general budget shall be adopted for the ensuing fiscal year by a vote of at least two-thirds (2/3rds) of all of the directors.

17. Project Budgets. In addition to the general budget, upon request of the members who are proposed participating members in a proposed project, the board shall prepare and approve a budget for the study, implementation or construction of the proposed project. Each project budget shall include estimates or projections of but not limited to the following:

(a) the administrative expenses of the Authority to be allocated to the project during planning and construction;

(b) the cost of studies and planning for the project;

(c) the cost of the engineering and construction of the project;

(d) the allocation among the participating members of the total project costs;

(e) an estimate of annual maintenance and operating expenses; and

(f) a formula for allocating annual maintenance and operating expenses among the proposed participating members.

After the board approves a project budget, it shall be submitted to each of the proposed participating members and the Authority shall not incur any expense, other than for the preparation of the budget, for the proposed project until the project budget has been approved by the governing body of each of the proposed participating members. In the event a project budget or a revised project budget is not approved by any of the proposed participating members, the proposed project shall be abandoned and the cost of preparing the budget and the revised budget shall be divided among the proposed participating members who requested the preparation of the budget in accordance with the proposed allocation of the total project cost.

In the event a project budget or a revised project budget is approved by the governing bodies of all of the proposed participating members or by less than all of the proposed participating members and such proposed participating members desire to proceed with the project, a project agreement shall be prepared and executed by each of the participating members. The project agreement shall set forth the terms and conditions of the financing, construction and operation of the project.

18. Effect of Failure of Approval of a General or Project Budget. If, after one hundred twenty (120) days from the first consideration of a general or project budget, the budget fails to attain the required vote of the directors

in the case of the general budget, or the participating members, in the case of a project budget, the approving directors or participating members may treat the refusal of a director or participating member to approve the budget as a request by a member represented by such a director or the participating member to withdraw from the Authority, in the case of the failure to approve a general budget, or from the project but not from the Authority, in the case of the failure to approve a project budget, and the approving directors or participating members, consistent with paragraphs 16 and 17 above, may thereafter, upon giving the members represented by nonapproving directors or the nonapproving participating members, as the case may be, thirty (30) days' prior written notice, proceed with the adoption of a revised budget and the nonapproving members or participating members, as the case may be, shall be deemed to have withdrawn from the Authority or project, and shall not be obligated for future debts of the Authority or of the project, nor shall they receive any benefits of the Authority or of the project. Any withdrawing member shall pay its share of all costs incurred with respect to the Authority and any proposed project prior to said withdrawal.

19. Maintenance and Operation Budgets. For each project constructed by the Authority, a maintenance and operation budget shall be prepared and approved at or prior to each November meeting of a project committee for the ensuing fiscal year. Said budget shall include but not be limited to the following:

(a) the expenses of maintaining the project;

(b) the expense of operating the project;

(c) an estimate of income from operations, if any; and

(d) the allocation of maintenance and operation expenses among the participating members in accordance with the formula set forth in the approved project budget or in the project agreement.

There shall be included in the maintenance and operation budget all expenditures for capital repairs, improvements or additions, which, by a vote of two-thirds (2/3rds) of all of the participating directors, shall be determined to benefit all of the participating members. If one or more participating directors desire that a capital repair, improvement or addition be made which will not benefit all of the participating members it shall be deemed to be a new project and a new project committee shall be formed for the construction of the capital repair, improvement or addition.

A project maintenance and operation budget must be approved by two-thirds (2/3rds) of all of the participating directors. Copies of each approved maintenance and operation budget shall be mailed to each participating member within thirty (30) days of its adoption.

A participating member that fails to pay its share of an approved maintenance and operation budget, exclusive of that portion thereof relating to designated capital repairs, improvements or additions, shall not be entitled to utilize the project until paid. A participating member that pays its share of an approved maintenance and operations budget but not any share of certain capital repairs, improvements or additions thereof shall be entitled to utilize the project to the extent it can be utilized without utilizing said capital repairs, improvements or additions, as determined by a vote of two-thirds (2/3rds) of the participating directors, but the nonpaying participating members shall not be entitled to any of the benefits of said capital repairs, improvements or additions.

20. Expenditures for the Approved Budget. All expenditures within the designations and limitations of approved general, project or maintenance and operation budgets shall be made on the authorization of the board for general budget expenditures or of the project committee for project expenditures. No expenditures in excess of those budgeted shall be made without the approval of two-thirds (2/3rds) of the directors representing the members affected by the budget under consideration.

21. Payment of Amounts Due. Except as hereinafter provided, amounts required to be paid by any member shall be

due and payable sixty (60) days after receipt of billing therefor. Any member not paying the amount due on time shall pay a late charge of one percent (1%) of the principal amount due for each month or fraction thereof that the payment is delinquent.

22. Grants; Reimbursement of Funds. The Authority shall not apply for any Federal or State grant or loan unless the application has been approved by a vote of at least two-thirds (2/3rds) of all of the directors, or, in the case of a grant or loan for a project, a vote of two-thirds (2/3rds) of all of the participating directors. Grant funds received by the Authority from any Federal, State or local agency to pay for budgeted expenditures for which the Authority has received all or a portion of said funds from its members shall be proportionally paid to said members to reimburse the members for the funds advanced to the Authority for the construction of the facilities for which grant funds have been received.

BOND FINANCING

23. Revenue Bonds. The Board shall have the power and authority to issue revenue bonds for the purposes and in accordance with the procedure and requirements set forth in Article 2, Title 1, Division 7 of the Government Code of the State of California (commencing at Section 6540).

PROJECT CONSTRUCTION

24. Acquisition and Construction of Projects. No project shall be acquired or constructed by the board without the unanimous consent of the members, or in the case of a project of less than all of the members, the unanimous consent of the participating members. Approval of a project budget by all of the participating members shall constitute consent for the commencement of the project and the acquisition and construction thereof.

25. Project Members. If it is determined that a proposed project will be conducted by or for less than all of the members, the participating directors for the project shall constitute a committee of the board referred to as the "(insert name of project) Project Committee". All actions by a project committee shall be deemed actions of the board and shall be taken in the name of the Authority; however, as herein provided, only the participating members of a project shall have rights and obligations in the project.

MAINTENANCE AND OPERATION OF FACILITIES

26. Maintenance and Operation of Facilities. The board, or in the case of a project of less than all of the members, the project committee, by a two-thirds (2/3rds) vote of all of the directors or participating directors, as the case may be, shall determine prior to the acquisition or construction of any project, whether or not the Authority shall maintain and/or operate the facilities to be acquired

or constructed. If the Authority is to maintain and/or operate such facilities, it shall do so in an efficient and economical manner and in a manner not detrimental to the nonparticipating members. If it is determined by a vote of two-thirds (2/3rds) of the participating directors that one or more of the members shall maintain and/or operate facilities acquired or constructed as part of a project, the member or members thus selected shall by written agreement consent thereto prior to the acquisition or construction of such facilities. By a vote of two-thirds (2/3rds) of all of the participating members, the member or members designated to operate the facilities may be changed.

ACCOUNTING AND AUDITS

27. Accounting Procedures. Full books and accounts shall be maintained for the Authority in accordance with practices established by, or consistent with, those utilized by the Controller of the State of California for like public entities. In particular, the Authority's controller and treasurer shall comply strictly with requirements of the statute governing joint powers agencies, Chapter 5, Division 7, Title 1 of the Government Code of the State of California commencing at Section 6500.

28. Audit. The records and accounts of the Authority shall be audited annually by an independent certified public accountant and copies of the audit reports shall be filed

with the County Auditor, the State Controller and each participating member within three (3) months of the end of the fiscal year under examination.

PROPERTY RIGHTS

29. Project Facilities. All facilities constructed or acquired by the Authority shall be held in the name of the Authority for the benefit of the membership of the Authority in accordance with the terms of this agreement. Unallocated capacity rights in respective project facilities shall be held for the benefit of the participating members in proportion to their agreed upon percentage capacity rights in the project facilities unless otherwise allocated by agreement among the participating members. It is the intent of the foregoing provision that the Authority shall not acquire any unallocated capacity in any facility for disposal or use, except for the benefit of the participating members in proportion to their original percentage capacity rights in the facility. Capacity rights may be sold, leased or assigned among participating member without the consent of the other participating members. Capacity rights may be sold, leased or assigned to nonparticipating members with the written consent of two-thirds (2/3rds) of the participating members providing the nonparticipating member becomes a participating member.

30. Distribution of Assets and Termination of Authority. To the extent that any funds (or property in lieu of funds) received from any participating member are used for the acquisition or construction of facilities, the same shall be recorded on the books of the Authority to the credit of the contributing member. Upon termination or dissolution of the Authority, the facilities and any funds in possession of the Authority at such time shall be distributed in kind or sold, and the proceeds thereof distributed to the participating members at the time of termination as their interests are recorded on the books of the Authority.

31. Liabilities. Any liability incurred by the Authority during the course of its existence shall be discharged from payments to be made to the Authority by the parties in proportion to their approved participation in facilities of the Authority for which the liability is attributable. Except as hereinbefore provided, the debts, liabilities and obligations of the Authority shall be the debts, liabilities or obligations of the Authority alone and not of the parties to this agreement.

NOTICE OF AGREEMENT

32. Initial Notice. Within thirty (30) days of the effective date of this Agreement the Authority or Chino Basin on behalf of the Authority shall cause a notice of

the Agreement to be prepared in the manner set forth in Section 6503.5 of the Government Code and filed with the Office of the Secretary of State.

33. Additional Notices. Within thirty (30) days of the effective date of any amendment to this Agreement the Authority shall prepare and file with the Office of the Secretary of State the notice required by said Section 6503.5.

TERMINATION, RECISSION, WITHDRAWAL

34. Term. The Authority shall continue until this Agreement is rescinded or terminated as herein provided.

35. Recission or Termination. This Agreement may be rescinded and the Authority terminated by written consent of all members.

36. Withdrawal. Any member may withdraw from the Authority or from a project committee at any time upon giving each of the other members written notice 120 days prior to the end of a fiscal year; provided, however, any withdrawing member shall be obligated for all expenses incurred prior to withdrawal. In the event a participating member is withdrawing from a project committee and said participating member has rights in any facility constructed, the withdrawing participating member's rights and obligations regarding that facility shall be as set forth in the project agreement.

NEW MEMBERS, AMENDMENTS

37. Admission of New Members. Additional public entities may become members of the Authority upon such terms and conditions as may be provided by the board and with the consent of two-thirds (2/3rds) of all of the existing members of the Authority, evidenced by the execution of a written addendum to this Agreement signed by all of the members including the additional member. The addition of new members shall not effect capacity or other rights of existing members without the consent of all affected members.

38. Amendments. This Agreement may be amended only by agreement signed by all of the members.

GENERAL

39. Attorney's Fees. In the event an action is commenced by any party to this Agreement to enforce or construe its rights or obligations arising from this Agreement, the prevailing party in such action, in addition to any other relief and recovery awarded by the Court, shall be entitled to recover all statutory costs plus a reasonable amount for attorney's, engineer's and consultant's fees in regard thereto.

40. Notice. Any notice or instrument required to be given or delivered may be given or delivered by depositing the same in any United States Post Office registered or certified, postage prepaid, addressed to:

CHINO BASIN MUNICIPAL WATER DISTRICT
8555 Archibald Avenue
Rancho Cucamonga, California 91730

MONTE VISTA COUNTY WATER DISTRICT
10575 Central Avenue
Montclair, California 91763

CUCAMONGA COUNTY WATER DISTRICT
9641 San Bernardino Road
Cucamonga, California 91730

CITY OF CHINO
13220 Central Avenue
Chino, California 91710

CITY OF ONTARIO
303 East "B" Street
Ontario, California 91762

CITY OF UPLAND
460 North Euclid Avenue
Upland, California 91786

41. Severance Clause. If any section, subsection, sentence, clause or phrase of this Agreement, or the application thereof, to any of the members for any other person or circumstances, is for any reason held invalid, the validity of the remainder of the Agreement, or the application of such provision to the other members, or to any other person or circumstances, shall not be affected thereby. Each of the members hereby declares that it would have entered into this Agreement, and each section, subsection, sentence, clause or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases, or the application thereof, to any member or any other person or circumstance be held invalid.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals by their respective corporate officers thereunto, duly authorized, the day and year first above written.

CHINO BASIN MUNICIPAL WATER DISTRICT

By _____ President

(SEAL)

By _____ Secretary

MONTE VISTA COUNTY WATER DISTRICT

By _____ President

(SEAL)

By _____ Secretary

CUCAMONGA COUNTY WATER DISTRICT

By _____ President

(SEAL)

By _____ Secretary

CITY OF CHINO

By _____ Mayor

(SEAL)

By _____ City Clerk

CITY OF ONTARIO

By _____ Mayor

(SEAL)

By _____ City Clerk

CITY OF UPLAND

By _____ Mayor

(SEAL)

By _____ City Clerk