AN AGREEMENT CREATING THE SEWER AUTHORITY MID-COASTSIDE

THIS AGREEMENT, dated February 3, 1976, is made and entered into by and between the City of Half Moon Bay, hereinafter referred to as "Half Moon Bay", and the Montara Sanitary District, hereinafter referred to as "Montara", and the Granada Sanitary District, hereinafter referred to as "Granada";

W I T N E S S E T H:

WHEREAS, the parties hereto have in common the power to plan for, acquire, construct, reconstruct, alter, enlarge, replace, repair, maintain, manage, operate and control facilities for the collection, transmission, treatment and disposal of wastewater for the benefit of the lands and inhabitants within their respective boundaries, and.

WHEREAS, it would be in the best interest of each of the parties hereto, each of which is located within the Half Moon Bay Basin, and the lands and inhabitants within the boundaries of said parties, for a single representative organization to be established, composed of elected officials from said parties, which would be capable of developing a joint waste collection, transmission, treatment disposal and management plan (herein "wastewater plan") for the Half Moon Bay Basin, and capable of acquiring, constructing, maintaining, managing, operating and controlling facilities for the joint collection, transmission, treatment and disposal of wastewater within said basin; and

WHEREAS, it has been determined that an areawide wastewater plan for said basin and the providing of facilities for joint collection, transmission, treatment and disposal of wastewater within said basin may best be undertaken and achieved by cooperative action of the parties hereto and in the manner provided for in this agreement; and

WHEREAS, Title 1, Division 7, Chapter 5 of the Government Code of the State of California authorizes the joint exercise by agreement of two or more public agencies of any power common to them;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions herein contained, the parties hereto agree as follows:

I. DEFINITIONS

Unless the context otherwise requires, for the purposes of this agreement, the following words shall have the following meanings:

(a) "The Authority" or "SAM" means the Authority formed pursuant to this agreement.

(b) "Agreement" means this Joint Exercise of Powers Agreement.

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

(d) "Construction" includes acquisition, reconstruction, alteration, enlargement, replacement or reparation as well as construction.

(e) "Disposal" includes reclamation as well as discharge to a receiving body of water.

(f) "Facility" or "Facilities" means any buildings, works, improvements or property acquired, constructed, maintained, managed, operated or controlled by SAM.

(g) "Fiscal Year" means July 1st to and including the following June 30th.

(h) "General Budget" means the approved budget applicable to the expenses of administration of the Authority and operation and maintenance of the facilities.

(i) "Half Moon Bay Basin" means hydrographic sub-unit #9 as defined in the ABAG report entitled "Population, Employment and Land Use Projections, San Francisco Bay Region, 1970 - 2000"; generally the lands between Tunitas Creek and Devil's Slide bounded on the eastern side by the ridgeline defining the coastal watersheds.

(j) "Member Agency" or "Party" means either Half Moon Bay, Granada or Montara. "Member Agencies" or "Parties" means Half Moon Bay, Granada and Montara.

(k) "Participating Member Agency" means a member agency that has or will acquire rights and assume obligations in connection with a particular project of the Authority.

(l) "Project" may include a study, a plan, or a facility.

(m) "Project Budget" means the approved budget applicable to a particular study, plan or facility.

II. PURPOSE AND POWERS

(A) Authority Created. There is hereby created a public entity to be known as the "SEWER AUTHORITY MID-COASTSIDE". The Authority is formed by this Agreement pursuant to the provisions of Title 1, Division 7, Chapter 5 of the Government Code of the State of California. The Authority shall be a public entity separate from the parties hereto.

(B) Purpose of the Agreement. The parties hereto have in common the power to plan for, acquire, construct, reconstruct, alter, enlarge, replace, repair, maintain, manage, operate and control facilities for the collection, transmission, treatment and disposal of wastewater for the benefit of the lands and inhabitants within their respective boundaries. The purpose of the Agreement is to jointly exercise the forgoing common power in the manner set forth herein.

(C) Powers of the Authority. The Authority shall have the power, in its own name, to do any or all of the following:

(1) to make and enter into contracts;

(2) to contract for the services of engineers, attorneys, planners, financial consultants, and separate and apart therefrom to employ such other persons as it deems necessary;

(3) to make plans and conduct studies;

(4) to acquire, construct, reconstruct, alter, enlarge, replace, repair, maintain, manage, operate and control any buildings, works or improvements;

(5) to acquire, hold and dispose of property;

(6) to incur debts, liabilities or obligations subject to limitations herein set forth;

(7) to sue and be sued in its own name;

(8) to apply for and accept grants, advances and contributions under any federal, state, or local programs for assistance in developing any of its projects;

(9) To establish rates, tolls, fees, rentals, or other charges in connection with the facilities and services provided by the Authority;

(10) To plan for, construct, operate, or maintain member agencies' sole-use facilities when specifically requested by that member agency, or when necessary to meet joint discharge requirements, subject to the provisions of Article VIII, Section D and E hereof.

(11) The Authority shall have the additional power and authority to issue revenue bonds in accordance with the following laws:

(a) Article 2, Chapter 5, Title 1, Division 7 of the California Government Code, commencing with Section 6540.

(b) Chapter 6, Title 5, Division 2 of the California Government Code, commencing with Section 54300.

(c) Chapter 5, Part 3, Division 5 of the California Health and Safety Code, commencing with Section 4950.

The above powers are subject to the restrictions, upon the manner of exercising said powers, set forth in the Sanitary District Act of 1923, as amended, being Sections 6400 et seq. of the California Health and Safety Code.

(D) Boundaries. The boundary of the Authority shall be the consolidated boundaries of the member agencies. Said boundaries shall be set forth and depicted on Exhibit "A" as amended or supplemented from time to time, attached hereto and by this reference made a part hereof. In the event of withdrawal from this Agreement by a

member agency, the boundaries shall be revised to exclude the area under sole jurisdiction of said withdrawing member agency.

(E) Overlapping Service Areas. The member agencies recognize that certain lands are within the boundaries of the City of Half Moon Bay as well as, at the same time, within the boundaries of the Granada Sanitary District, and vice versa. To the extent that future sewer service is provided to all or any portion of said lands by any member agency electing and empowered to do so, that member agency shall provide said service from its own facilities or from its own share of capacity of any jointly owned facilities, without in any way demanding that said provision of service shall diminish the share of capacity owned by any other member agency.

III. ORGANIZATION

(A) Membership. The members of the Authority shall be each public entity which has executed this Agreement, or any addenda, amendment or supplement thereto, and which has not, pursuant to the provisions hereof, withdrawn therefrom. A list of the members shall be available to each member.

(B) Designation of Directors. Within fifteen (15) days after execution of this Agreement, the member agencies shall designate and appoint, by resolution of their respective governing bodies, representatives to act as their directors on the Board. Each member agency shall appoint two representatives to SAM, and these six representatives shall constitute the Authority's full Board of Directors. Each member agency shall also appoint one alternate director whose name shall be on file with the Board and who may assume all rights and duties of an absent director representing the appointing member agency. Each director and alternate shall hold office from the first meeting of the Board after his appointment by the governing body which he represents until his successor is selected. Directors and alternates shall serve at the pleasure of the governing body of the appointing member agency and may be removed at any time, with or without cause at the sole discretion of said member agency's governing body. A director or alternate must be a member of the governing body of the appointing member agency. A director may be reimbursed by the Authority for expenses incurred by such director in the conduct of the business of the

Authority, and may be compensated not to exceed fifty dollars ($50.) per day for each day's attendance at meetings of the Board, or for each day's service rendered as a director by request of the Board, not to exceed a total of four (4) days in any calendar month.

(C) Principal Office. The principal office of the Authority shall initially be the Half Moon Bay City Hall. The Board is hereby granted full power and authority to change said principal office from one location to another within its boundary. Any change shall be noted by the Secretary under this Section but shall not be considered an amendment to this Agreement.

(D) 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. Regular, adjourned and special meetings shall be called and held in the manner as provided in Chapter 9, Part 1, Division 2, Title 5 of the Government Code of the State of California (Section 54950 et seq.).

(E) Quorum. That number of Board members representing a simple majority of the votes on the Board shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn from time to time.

(F) Powers of the Board and Limitations Thereon. All of the powers and authority of SAM shall be exercised by the Board subject to the following conditions and limitations:

(1) each director from Half Moon Bay shall be entitled to two votes; each director from Montara and Granada shall be entitled to one vote;

(2) unless otherwise provided by law or elsewhere herein, a quorum of directors may, by five (5) affirmative votes, adopt any motion and take any other action they deem appropriate to carry forward the objectives of the Authority. Passage of any resolution shall require six (6) affirmative votes;

(3) final approval of any general budget or project budget shall require the consent of every member agency or participating member agency as

provided in Section (G) hereof, and Article V, Sections (A), (B), and (C), thereof;

(4) no project shall be commenced without consent of every participating member agency.

(G) Consent of Members. In any matter prescribed herein to require the consent of member agencies, said consent shall be evidenced by a certified copy of the resolution of the governing body of such member agency filed with the Authority.

(H) Officers. The Authority shall have three officers: Chairman, Vice Chairman and Secretary. The directors of the Board shall select from the Board these three officers who shall hold office for a period of one year, commencing July 1 of each and every fiscal year; provided, however, the first three officers appointed shall hold office from the date of appointment to the following June 30; provided further, that in the event that a member agency removes from the Board a director serving as an officer, the Board shall appoint another director to fill the vacant office for the remainder of that fiscal year.

(1) The Chairman shall preside at the meetings of the Board. The Chairman's duties shall be to call meetings to order, adjourn meetings, announce the business before the Board in the order in which it is to be acted upon, recognize directors and non-directors entitled to the floor, put to vote all questions moved and seconded, announce results of votes, maintain the rules of order, execute documents on behalf of the Board when duly approved for action, and carry out other duties set forth in the bylaws. The Chairman shall be entitled to exercise his full voting rights on all questions before the Board and need not relinquish the chair to discuss a question before the Board.

(2) A Vice Chairman shall be selected and hold office in the same manner as the Chairman and in the absence of the Chairman shall preside and hold the same powers as if he were the Chairman.

(3) A Secretary shall also be selected from the Board by its directors.

(I) Staff. General staff functions to serve the administrative needs of the Authority shall initially be provided by employees of the member agencies, and credited towards said respective member agencies' financial contributions or obligations as provided in Article V, Section (D) below. The staff positions shall be as follows:

(1) Manager. The authority shall employ or contract for the services of a manager who may or may not be a staff member of one of the member agencies. The manager shall answer to the Board and be responsible for all administrative needs of the Authority. The manager shall also be responsible for the general execution of all Authority policies as set by the Board.

(2) Treasurer. The Authority shall, with a member agency's consent, designate the Treasurer or ex officio Treasurer of said member agency, or in lieu thereof, the Treasurer of San Mateo County to be the depositary and have custody of all the money of the Authority from whatever source.

The Treasurer so designated shall:

(a) Receive and receipt for all money of the Authority and place it in the treasury of the Treasurer to the credit of the Authority.

(b) Be responsible upon his official bond for the safekeeping and disbursement of all Authority money so held by him.

(c) Pay, when due, out of money of the Authority so held by him, all sums payable on outstanding bonds and coupons of the Authority.

(d) Pay any other sums due from the Authority from Authority money, or any portion thereof, only upon warrants drawn against the Authority, duly authorized by the Board and executed by two directors.

(e) Verify and report in writing on the first day of July, October, January and April of each year,

to the Authority, and to each of the member agencies, 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.

(3) Others. The Board may employ or contract for the services of individuals or other staff positions as necessary to assist in the administration and execution of the functions of the Authority.

(J) Charges for Services. Charges for the services of the manager, the treasurer, and other administrative or operating personnel supplied by any member agency shall be jointly agreed upon with the member agency or member agencies furnishing the services in advance of receipt of said services.

(K) Officers, Employees and Agents. Any officer, employee or agent of the Authority may also be an officer, employee, or agent of any member agency. The appointment or employment by the Board of such a person shall constitute a determination that the two positions are compatible. Notwithstanding the above, the Manager and the Treasurer, shall not be employees of the same member agency without the unanimous consent of the complete Board of Directors.

All privileges and immunities from liability, all exemptions from laws, ordinances and rules, and all pension, relief, disability, workmen's compensation, and other benefits which apply to the activities of officers, agents, or employees of a member agency 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 directly employed by the Authority shall be deemed by reason of their employment by the Authority, to be employed by any member agency or to be subject to any of the requirements of any member agency.

(L) Accounting and Audits. There shall be a strict accountability of all Authority funds and report of all receipts and disbursements in compliance with Article I, Chapter 5, Division 7, Title I of the Government Code (Section 6500 et seq.). The Board, acting as controller, shall contract with a certified public

accountant or public accountants to make an annual audit of the accounts and records of the Authority. In each case 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. The records and accounts of the Authority shall be audited annually, and a report thereof shall be filed as a public record with the Authority and with each of its member agencies and the San Mateo County Auditor, not later than six (6) months following the end of the fiscal year under examination. Any costs of the audit, including contracts with or employment of, a certified public accountant or public accountants shall be borne by the Authority and shall be charged against its general fund.

(M) Access to Property. The manager and treasurer are hereby designated as the persons who have charge of, handle, and have access to the property of the Authority. Each such person shall file with the Authority an official bond in an amount to be fixed by the Board. Cost of said bond shall be paid by the Authority.

(N) 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 member agencies hereto within a reasonable time which shall be fixed by the Board.

(O) Rules. The Board may adopt from time to time such rules and regulations for the conduct of its affairs as may be required. Parliamentary rules and procedures shall be those prescribed in Roberts Rules of Order. Any documents required to be executed by the Authority shall be signed by the Chairman and countersigned by the Secretary, except that the Board may, by resolution, authorize other officers or employees to sign on behalf of the Authority.

IV. PLANNING

(A) Planning Policy. In keeping with the purpose of this Agreement, the member agencies hereby authorize and direct the Board to undertake such studies and planning relative to the combined service areas of the member agencies as may be necessary, to provide

for the joint collection, transmission, treatment, and disposal of sewage of each of the member agencies. The specific objective of such studies shall be to develop regional solutions to the wastewater treatment and management problems which will be in accordance with all applicable federal, state and regional water quality control requirements, consistent with demographic studies applicable within the jurisdiction of Authority, and planned so as not to result in unreasonable financial burdens on the member agencies whatever course future development of the area might take. It is understood by the parties that this agreement shall not affect the rights or powers of any member agency to plan and/or construct sewer facilities independently.

The studies may include proposals for construction of joint collection systems, trunk and interceptor lines, treatment plans, and disposal systems. The studies may also include proposals to be used in conjunction with facilities not within the Authority's jurisdiction. Any studies shall consider all phases of planning, design, construction, maintenance and operation of facilities proposed by the Authority, and allocation to benefited member agencies of capital, maintenance and operating costs.

(B) Present Project. The member agencies agree that the initial project for the Authority shall be as set forth in the joint letter of understanding, marked Exhibit "B", attached hereto and by this reference incorporated herein.

V. BUDGETS AND PAYMENTS

(A) General Budget. Within sixty (60) days after the first meeting of the Board, a general budget shall be prepared for the balance of the fiscal year. Thereafter at or prior to each March meeting of the Board, a general budget shall be prepared for the ensuing fiscal year. The initial budget and each succeeding general budget shall include the following:

(1) the general administrative expenses of the Authority to be incurred during the period covered by the budget. Each member agency shall, within thirty days of execution of this Agreement, deposit into the general fund an amount obtained by applying to the sum of initial general administrative expenses the

percentage of that member agency's voting rights;

(2) the expenses of operating and maintaining any improvements operated or maintained by the Authority;

(3) all revenues accruing to the Authority, including the assessments allocated among the member agencies to cover the general administrative, operating and maintenance expenditures;

(4) At the time of its preparation a general budget shall be submitted immediately to the governing bodies of the member agencies for approval pursuant to Article III, Section (G) above, final approval of a general budget shall require the prior consent of all member agencies. Final approval shall be made by the Board within thirty (30) days after preparation of the initial general budget and by July 1st following preparation of each succeeding budget. A copy of the general budget shall be filed with each member agency.

(5) Each member agency hereby agrees to include in each annual budget approved by the governing body of such member agency amounts estimated to be sufficient to pay all such charges and to pay to the Authority within thirty days of receipt of a statement of the member agency's allocated share of the actual general budget expenses for the billing period as determined by the Board. The Authority is hereby authorized to take any or all legal actions necessary and permitted by law to enforce the collection of such charges or any other compliance with this agreement, including, but not limited to, actions or proceedings in mandamus to require each member agency to include the amounts estimated to be necessary in each such estimated annual budget, or to collect such charges from the taxpayers, landowners, or users of any of the facilities of the Authority.

(B) Project Budgets. In addition to the General Budget, the Board shall, prior to its initiation of a project, approve the project in concept and have a project budget prepared. Each Project Budget may include the following:

(1) the Authority's administrative expenses allocated to the project;

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

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

(4) the allocation among the participating member agencies of the total project costs including but not necessarily limited to administration, planning, design, construction and operation and maintenance;

(5) any revenues accruing to the Authority for the project from whatever source.

After the preparation of a Project Budget, it shall be submitted immediately to each member agency proposed by the Board to be a participant and to be obligated for the payment of any amount thereunder. The Authority shall not incur any expense for the project until the Project Budget has been approved by the governing body of each of the proposed participating member agencies. Consent of the participating member agencies shall be required within a reasonable length of time, said time to be determined by the Board when the Project Budget is prepared. Upon approval by all of the participating member agencies, the Board shall adopt the Project Budget and file a copy of same with each of the participating member agencies.

(C) Effect of Failure of Approval of Budgets.

(1) General Budget. If a general budget fails to attain the approval required by Section (A) hereof, the director(s) of consenting member agencies may treat the refusal of a dissenting member agency to approve the budget as a request for withdrawal from the Authority and the remaining members may thereafter, upon giving the non-consenting member agency thirty (30) days notice, proceed with the adoption of a revised budget and the non-consenting member agency shall not be obligated for future debts of the Authority nor shall it receive any benefits therefrom.

Pertaining to past debt obligations, however, the non-consenting member agency shall continue to be obligated for the operation and maintenance costs, under the original allocation formula, of any project in which it continues to derive benefits.

(2) Project Budget. If a Project Budget fails to attain the approval required by Section (B) hereof, the director(s) of consenting participating member agencies may treat the refusal of a dissenting member agency to approve the budget as a request for withdrawal from the project concerned, but not from the Authority, and the remaining participating member agencies may thereafter, upon giving the non-consenting member agency thirty (30) days notice, proceed with the adoption of a revised budget and the non-consenting member agency shall not be obligated for future debts of the project concerned nor shall it receive any benefits therefrom. The cost of preparing the Project Budget shall be divided among the proposed participating member agencies in proportion to allocation of costs to said members in the current general budget.

(D) Contributions; Payments and Advances, Use of Personnel; Equipment or Property; Exchange of Services. It is hereby agreed that:

(1) contributions from a member agency's treasury may be made for the purpose set forth in the Agreement;

(2) payments of public funds of a member agency may be made to defray the cost of such purpose;

(3) each of the member agencies may make advances of public funds, to be repaid as set forth in the Agreement;

(4) personnel, equipment or property may be used in lieu of other contributions or advances, however, all member agencies must agree upon the value to be assigned the personnel, equipment, property or services, with respect to any said contributions or advances;

(5) the member agencies may exchange services without payment of any consideration other than such services.

(E) Expenditures for the Approved Budgets. All expenditures within the designations and limitations of approved general and project budgets shall be made on the authorization of a majority of the directors present at a meeting during which budget expenditures are approved. No expenditures in excess of those budgeted shall be made without the unanimous consent and approval of all of the directors representing the member agencies affected by the budget under consideration.

(F) Payments of Amounts Due; Surplus. Amounts required to be paid by any member agency shall be due and payable thirty (30) days after receipt of billing therefor from the Board. After completion of the purpose for which funds were provided to the Authority by a member agency, any surplus money shall be returned to that member agency in proportion to the funds so provided.

(G) Reimbursement of Funds. Grant funds received by the Authority from any federal, state or local agency to pay for budgeted expenditures for which the Authority has received monies from a member agency shall be remitted to that member based upon the ratio of the member agency's advance to the total cost of the project for which the Authority has received the grant.

VI. AUTHORITY PROJECTS

(A) Project Members. The directors representing those members determined by the Board to be participating members of a project shall, upon consent to the proposed project by the participating members, constitute a subcommittee of the Board referred to as the "_____Project Committee." All actions by a project committee shall be deemed actions of the Authority and shall be taken in the name of the Authority; however, only the participating members of a project shall have rights and obligations in said project as herein provided.

(B) Authority Construction Projects. No project shall be constructed by the Board without the consent of every participating member. Approval of a construction project budget by all of the participating members shall constitute their consent for the construction of the project by the Authority.

VII. MAINTENANCE AND OPERATION OF FACILITIES

(A) Maintenance and Operation of Facilities. The Board shall determine, prior to the construction of any project, whether or not the Authority shall maintain and/or operate such facilities. 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 member agencies. It is the intent of the parties that any project may be maintained and operated in the name of the Authority. If it is determined that one or more of the member agencies shall maintain and/or operate said facilities, said member agencies shall by written agreement consent thereto prior to the construction thereof.

VIII. PROPERTY RIGHTS

(A) Project Facilities. All facilities constructed 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. Capacity rights in respect to project facilities shall be held for the benefit of the participating member agencies in proportion to each member agency's agreed percentage of capacity rights in such project facility. It is the intent of the foregoing provision that the Authority shall not acquire any unallocated capacity rights in any facility for disposal or use, except for the benefit of the participating member agencies in proportion to their percentage of capacity rights in said facility. Capacity rights may not be reallocated, sold, leased, assigned, or in any way transferred, whether voluntarily, or pursuant to litigation and/or administrative proceedings initiated by, in concert with, with the consent of, or on behalf of the member agency or agencies seeking any such transfers, unless the member agency or agencies, whose capacity rights may be so diminished thereby, shall give written consent to such transfer.

(B) Distribution of Assets and Termination of the Authority. To the extent that any funds (or property in lieu of funds) received from any member agency are used for the construction

of facilities, the same shall be allocated annually on the books of the Authority to the credit of said contributing member agency. Upon termination or dissolution of the Authority herein created, 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 member agencies at the time of termination and in proportion as their interests appear on the books of the Authority.

(C) Liabilities. Any liability incurred by the Authority during the course of its existence shall be discharged by payments hereby agreed to be made to the Authority by each of the parties hereto in proportion to their contribution or approved participation in facilities of the Authority for which the liability is attributable. Except as hereinabove 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.

(D) Failure to Meet Discharge Requirements - Separate Effluent Discharge. The Authority shall cause the effluent of each member agency to be monitored to determine whether or not Federal and/or State discharge requirements are being met. The member agency or agencies responsible for the violation shall be solely responsible for any fines levied or criminal sanctions imposed as a result thereof.

(E) Failure to Meet Discharge Requirements - Combined Effluent Discharge. If the effluent of the member agencies is combined, and the combined effluent at the point of ultimate discharge into the receiving water fails to meet discharge requirements, the member agency or agencies responsible for the violation shall be solely responsible for any fines levied or criminal sanctions imposed. In this regard, the member agency or agencies responsible for the violations shall hold harmless the Authority and the other non-violating member agencies from all liability and/or damages incurred by said Authority and/or member agencies as a direct and proximate result of said violation, including, but not limited to, legal, engineering, and administrative expense and direct or indirect damages incurred by the Authority or the member agency as a result of a cease and desist order or court injunction from any State or Federal agency restricting construction within the jurisdictional

limits of said Authority or member agency. In the event two or more member agencies are responsible for failure of the combined effluent to meet discharge requirements as above provided, the member agencies responsible for the violation shall be jointly and severally responsible to the Authority and to the other non-violating member agencies. Upon notification of such violation, the member agency or agencies shall take prompt, corrective action as necessary to meet said discharge requirements. If any member Agency fails to take such action, the Authority by unanimous vote of the Board (excluding those members of the Board who are representatives of the member Agency or Agencies who are in violation of the discharge requirements) may elect to do either one or both of the following:

(a) Have undertaken at the cost and expense of the violating member agency or agencies the construction of such additional treatment facilities as are necessary to meet said discharge requirements.

(b) Impose a prohibition of additional connections to the collection system of the member agency or agencies in violation.

Nothing in this Section shall preclude one or more agencies from providing additional levels of treatment to insure meeting waste discharge requirements in the combined effluent. In the event that one or more member agencies are obligated to provide additional levels of treatment to meet waste discharge requirements for the combined effluent, all member agencies requiring the additional levels of treatment shall participate in the costs of such treatment based on their relative contribution of waste characteristics to be treated and the costs of providing such treatment.

IX. SETTLEMENT OF DISPUTE OR CONTROVERSY

Should any dispute or controversy arise in connection with the books, records or accounts of any party to this Agreement or in connection with the acquisition, construction, maintenance, operation, repair, reconstruction or enlargement of the Joint System or in connection with any of the affairs or operation thereof, or the execution of the term of this Agreement, the governing bodies of the parties to this Agreement may elect to arbitrate the dispute or controversy in accordance with the rules of the American

Arbitration Association or by any other mutually agreeable method of settlement.

X. MISCELLANEOUS PROVISIONS

(A) Duration. The Authority shall continue until this Agreement is rescinded as herein provided.

(B) Rescission and Termination. This Agreement may be rescinded and the Authority terminated by written agreement of all member agencies. Upon termination of the Authority, its assets and liabilities shall be divided among the then member agencies in proportion to their then ownership interests.

(C) Withdrawal. Any member agency may withdraw from the Authority at any time upon giving each of the other member agencies one hundred and twenty (120) days written notice prior to the end of the fiscal year; provided, however, in the event the withdrawing member agency has any rights in any facility of the Authority or obligations to the Authority, said member agency cannot sell, lease or transfer said rights or be relieved of its obligations, without the execution of a written agreement executed by it and another member agency. The term "obligations" as used herein shall include, but not be limited to, bonded indebtedness and capital replacement costs. Upon termination, a withdrawn member agency will be treated like all the other member agencies in regard to the provisions of Article VIII (B) hereof.

(D) Amendments. This Agreement may be amended only by the unanimous consent of all member agencies.

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

(F) Filing with the Secretary of State. The Secretary of the Authority shall file with the Secretary of State a notice in accordance with Government Code Section 6503.5, and shall file notices, as appropriate, in accordance with Government Code Section 53051.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed or the day and year first above written.

CITY OF HALF MOON BAY

By _____
Mayor

Attest:

By _____
City Clerk

(seal)

MONTARA SANITARY DISTRICT

By _____
President

Attest:

By _____
Secretary

(seal)

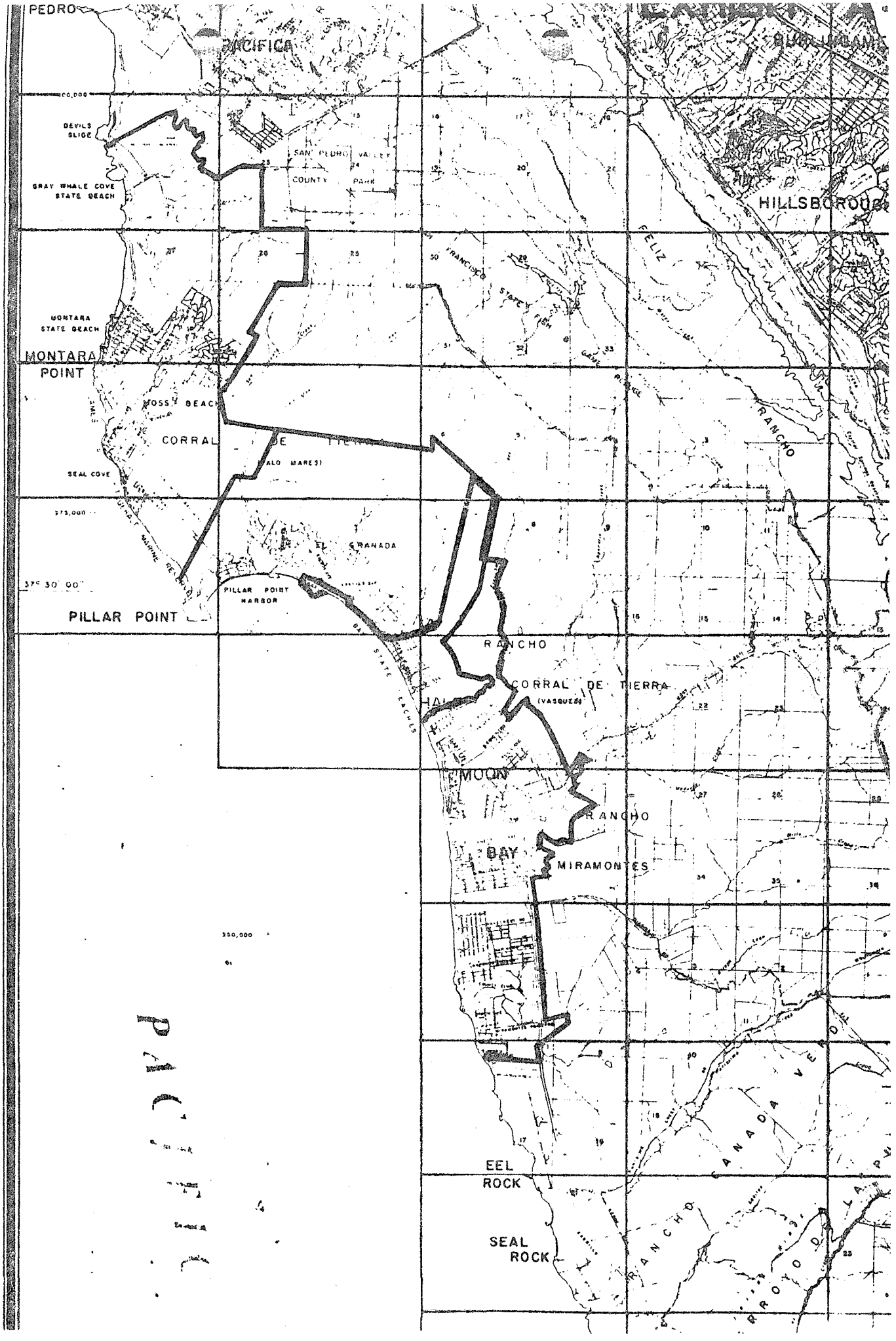
GRANADA SANITARY DISTRICT

By _____
President

Attest:

By _____
Secretary

(seal)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GRAY WHALE COVE STATE BEACH
SAN PEDRO VALLEY COUNTY PARK
HILLSBOROUGH
FELIZ
MONTARA STATE BEACH
MONTARA POINT
MOSS BEACH
CORRAL DE TIERRA
SEAL COVE
EL GRANADA
PILLAR POINT HARBOR
PILLAR POINT
RANCHO
CORRAL DE TIERRA
(VASQUEZ)
MOON
BAY
RANCHO
MIRAMONTES
EEL ROCK
SEAL ROCK
RANCHO CANADA VERDE
PACIFIC

EXHIBIT "B"

JOINT LETTER OF UNDERSTANDING BETWEEN THE CITY OF HALF MOON BAY AND THE COASTSIDE SEWER SERVICE AGENCY

This joint letter of understanding sets forth the agreement reached between the City of Half Moon Bay and the Coastside Sewer Service Agency on January 22, 1976, pertaining to the following determinations and courses of action to be taken jointly by the parties signature hereto.

DETERMINATIONS

1. In view of the alternatives now available to the joint agencies, the full consolidation of sewage treatment facilities, as envisioned in Plan F of the Supplemental Project Report - Phase I / Final Project Report submitted to the state on August 13, 1975, is the best apparant alternative, provided that full Clean Water Grant funding can be secured based on the collective design capacity of each agencies' existing treatment plants (1.8 mgd).

2. Based on the general proportion of population among the agencies, and on the expected benefit to each agency of the facilities described in 1. above, the local share of costs shall be divided roughly 50% to the City and 50% to C.S.S.A., with modification of such share possibly being made based upon actual benefit and total past investments in existing plant facilities.

3. An alternative project to that described in 1. above, known as the "bare boned" version of Plan A (partial consolidation) of the Supplemental Project Report - Phase I / Final Project Report submitted to the state on August 13, 1975, must be pursued simultaneously with the alternative set forth in 1. above in the eventuality that full funding of this total consolidation alternative is not forthcoming and has to be abandoned.

4. In the event that only the partial consolidation plan, as described in 3. above, has to be implemented in order to strictly comply with the NPDES requirements, then the local share of costs associated with this plan shall be born by each agency on the basis of direct use and benefit with the City not sharing in any of the costs of the intertie transmission lines or C.S.S.A. treatment plant improvements.

COURSES OF ACTION

1. The City and C.S.S.A. shall jointly pursue, through any appeal steps necessary, a Clean Water Grant offer based on the collective design capacity of each agencies' existing treatment plants (1.8 mgd), and if successful, implement the fully consolidated sewage treatment system known as Plan F; simultaneously with this action, they shall jointly pursue the expeditious advancement of the "bare boned" version of Plan A, submitting all basic material to the state within 60 days, so that in the event that full funding is not forthcoming for Plan F, they can and will immediately implement the "bare boned" version of Plan A at the earliest possible date.

2. As existing lead agent for the step one grant, and in pursuit of the dual course of action set forth in 1. immediately above, the City shall prepare and submit all materials necessary for full state consideration and determination of the alternative projects; upon full execution of a comprehensive joint powers agreement, establishing a joint sewer planning and implementing agency to be known as the SEWER AUTHORITY MID-COASTSIDE (SAM), the authority and responsibility of the City as lead agency shall immediately transfer to that organization.

CITY OF HALF MOON BAY

By _____
Mayor

COASTSIDE SEWER SERVICE AGENCY

By _____
Chairman

ATTEST

By _____
Deputy City Clerk

ATTEST

By _____
Secretary